

EXECUTIVE OBSOLESCENCE: AN
INVESTIGATION OF THE PROBLEM IN
FORTY SELECTED COMPANIES

By

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CHAPTER 1

PLAN OF THE INVESTIGATION

Nature of the Problem

Managerial manpower is an essential resource of the firm and of the economy as a whole. Business leaders often reiterate this theme and business organizations are continually concerned with appropriate placement and adequate performance of managerial personnel. Further business organizations establish job performance requirements and expectations for managers. Actual managerial performance may then be compared with the expectations of performance for the purpose of deriving indications of the adequacy of managerial performance both on an individual basis and on a group basis.

The term "executive obsolescence" has been coined and used widely for referring to a variety of situations wherein a manager whose job performance once was thought to be competent, becomes either unable or unwilling to perform adequately. The phenomena of executive obsolescence, as a concept in the literature and practice of management, appear to be imperfectly formulated and imperfectly understood. Executive obsolescence,

implying as it does a less than full realization of executive potential, is a significant subject for research.

The research problem. - The research problem is (1) to formulate a concept of executive obsolescence having research operability, (2) to derive from this formulation and from the work of others a number of hypotheses about executive obsolescence and (3) to collect, analyze and interpret empirical data from field sources in connection with the hypotheses.

Obsolescence defined. - Persons who have lost their capacity to perform their jobs effectively may be considered obsolete.

"Obsolete" and "obsolescence" are companion concepts and may be defined as follows:

"OBSCOLESCENCE (1.) The condition or process of gradually falling into disuse.

OBSCOLETE.... (1.) Gone out of use; no longer practiced or accepted; or discarded type or fashion; bygone, antiquated; worn out; obliterated; as an obsolete custom."¹

These definitions which convey a strong feeling of inability to perform in a satisfactory manner have been applied to physical objects under a variety of circumstances. Machinery

¹Funk and Wagnalls New Standard Dictionary of the English Language (New York: Funk and Wagnalls, Inc., 1965), p. 1704.

associated with performing a productive function is an example. A piece of production machinery, a metalturning lathe for example, has been built to a certain set of specifications according to the current design and production practice for such machinery. It is put to use by a manufacturer performing its function according to its built-in capabilities. If he follows good practice he will keep it maintained by regular servicing and replacement of parts so that the original capability is lost very slowly if at all. In spite of these maintenance efforts the lathe will eventually be considered obsolete. What has happened? One possibility which exists is that the particular function which this machine performs, turning metal stock in this case, may no longer be required. Some new type of extremely high-precision casting may be developed which provides cylindrical shapes of the proper dimensions without the need for lathe finishing. This possibility may be designated obsolescence based on function. Another possibility is that machine design technology may have progressed in the meantime to the point where a more capable lathe may now be built. It may be capable of greater speeds and more precision or it may be controlled electronically and not require an operator. These concepts hold regardless of the fact that the original machine has not worn out. If the older machine has not been maintained, of course, the process is accelerated and made even more obvious.

This second condition in which the original machine, while still performing, can not meet the newer standard of performance we may call obsolescence based on functional application.

What alternatives exist with regard to this machine when it becomes obsolete? If it is functional obsolescence and turning of metal is no longer in demand the possibility of shifting the machine to some other use by means of redesign and rebuilding will be explored. If technical and cost considerations make this unfeasible it will have to be scrapped. On the other hand, if it is functional application obsolescence and although metal turning still is required the machine in question can not perform as well as a newer one, several possibilities exist: (1) The lesser performance may be tolerated because of cost of upgrading or other considerations, (2) redesign and rebuilding may be undertaken if technically and financially practical, (3) it may be scrapped and replaced, (4) it may be assigned to a lesser function where its limitations will not be as damaging. The choice of these alternatives will depend upon the calculated payoff possibilities.

The driving force for some positive, corrective action whenever obsolescence is found in a physical object is the economic spur of greater profitability of the newer device which performs the function in a more effective manner. The application of this concept to human effort, particularly executive performance, may also be considered. What is an executive?

Definition of Executive. - The following definitions of the term executive, in combination, provide the operational definition for purposes of this study:

Executives are regarded as top-level managers of an organization, reporting directly to the president and, through him, to the board of directors and its chairman. They are frequently regarded as including all vice-presidents and heads of staff divisions. Sometimes assistants to these officials are also included as executives.²

Executives. . . for this purpose, I suggest we combine Webster with job level. . . any person charged with administration or conduct of affairs who gets things done through the efforts of others rather than by personal individual performance.³

I have called 'executives' those knowledge workers, managers, or individual professionals who are expected by virtue of their position or their knowledge to make decisions in the normal course of their work that have significant impact on the performance and results of the whole.⁴

Executive obsolescence. - The fairly recent coupling between the concept of the executive and the concept of obsolescence is now becoming more evident in the literature. Seven of the articles listed in the bibliography have those words somewhere in the title. The earliest date of publication is 1964. Taken

² Dale Yoder, Personnel Management and Industrial Relations (4th edition; New York: Prentice Hall, Inc., 1956), p. 333.

³ L. J. Weigle, "Executive Obsolescence, Signposts at the Crossroads," New Orleans Regional Conference, Institute for Management, Northwestern University, 1965, p. 1.

⁴ Peter Drucker, The Effective Executive (New York: Harper & Row, 1966), p. 8.

from a broad viewpoint, when anything changes after the individual has gained a knowledge of it this causes him to be in an inferior position with regard to that particular body of knowledge to someone who has observed it in its current form. Therefore, anything which has changed since the executive last examined it may be thought of as making him a little bit obsolete with respect to others who are aware of its changed condition. This effect is magnified in the case of something which is entirely new and of which the individual has no previous knowledge. The individual may make himself aware of the new condition, of course assuming he has the ability to do so, and remove the disadvantage. When he doesn't do this the effect may be cumulative as further changes take place making his previously acquired knowledge less and less useful.

Projecting this concept into the sphere of executive performance provides us with a realization of why obsolescence in executives may be defined as: An interruption in the development of executive capability at some point below that required because of lack of technological knowledge or ability, or loss of motivation or a combination of these factors. It may result in a performance plateau or in a decreasing performance capability which the affected individual may or may not recognize. The causes of obsolescence would, therefore, include the individual's inability to recognize and apply

that which is new and his failure to maintain the required pace.

Two major aspects of executive obsolescence requiring different treatment may be recognized:

- (a) Skills Obsolescence - The executive's skills are intact but are no longer in demand. (This case is similar to the machine's obsolescence based on function in the example given above.)
- (b) Skills Application Obsolescence - The executive's ability to apply his skills is impaired. (This case is similar to the machine example obsolescence based on functional application.) These two aspects of obsolescence may occur under any of the following conditions:
 - (1) The individual is unaware that he is becoming obsolete.
 - (2) The individual is aware and actively seeks to be helped.
 - (3) The individual is aware and avoids or refuses to be helped.

These concepts have been examined during the course of this investigation.

The Design of the Research

The idea of conducting this research may be traced back to the candidate's experiences and observations during corporate employment. At that time his interest precipitated a decision to research the subject when he had an opportunity to do so. His return to academic residence provided that opportunity. Hypotheses were formulated and a research program was developed. Then after preliminary research and discussion with others who had studied executive obsolescence, the candidate designed a brief questionnaire and sent it to 300 companies. A stratified sampling technique was used to select these companies. The sample included two strata: (1) a nonprobability portion consisting of the 100 largest defense contractors (in terms of contract dollar volume) listed in Background Material on Economic Impact of Federal Procurement, 1965-89th Congress, 1st Session-Joint Committee Report (U. S. Government Printing Office, 1965), and (2) a probability portion of 200 additional companies chosen from Poor's Register of Corporations, Directors, and Executives (1966 edition) by selecting the page and the listing on the page from a table of five-digit random numbers.

The questionnaires were addressed to company presidents listed in Poor's. If no president's name was listed, a

personnel or management development executive was selected as first alternate and a general officer as second alternate. Questionnaires were not addressed to executive titles alone or to the company at large, since it is believed that this approach is generally unproductive. The purpose in addressing the president was to have him convey the questionnaire to the executive responsible for personnel development. The assumption was made that a questionnaire routed from a president to an executive reporting to him was more likely to be completed than one addressed to a "personnel development manager." Many of the returned questionnaires were initialed and notated, indicating that the president had asked the executive to provide the information requested.

Using factors determined by Stanley Schuler --and discussed in "How to Keep from Going out of Style," Nation's Business, February 1965--the questionnaire was designed to obtain information on executive development in these companies and to secure invitations to visit them for further discussion. One hundred companies responded, and 56 of the 100 agreed to the interview. Of these 56 companies, 27 in the petroleum, chemicals, electronics, communications, and aerospace industries were selected. The other 29 of these 56 companies were sent a second, more extensive questionnaire and a letter stating that cost and time consideration prevented a personal visit. Seventeen

of them completed and returned the second questionnaire.

The interview sample of 27 firms was nonprobability-based, in that only those firms which indicated a willingness to be interviewed were included. Within this limitation a further narrowing was necessary; so selection was made to secure (1) as wide a variety of industries as possible; (2) at least two representatives of each type of industry; (3) interviews from two or more divisions of one firm, in at least one case; (4) travel expenses kept within a limited budget.

In August 1966 the investigator traveled to Dallas, Houston, Los Angeles, San Francisco, Minneapolis, Cleveland, and New York. For various reasons--an airline strike, for one--five companies were not visited. However, they were asked to complete a questionnaire similar to the one used during the interviews with the other 22 companies.

In the interviews a structured questionnaire was used to assure that the same questions would be asked at each of the companies. Some interviews went well beyond the information outlined in the questionnaire, and several participants provided company documents on executive evaluation and development. The candidate also received some company documents by mail.

Library and periodical research was carried out over a two-year period. The topic of obsolescence is of relatively recent interest in the literature, and therefore much of the

pertinent material has appeared in periodicals rather than books. Dr. Billy E. Goetz, Professor of Industrial Management at Massachusetts Institute of Technology, was consulted in the early stages of planning this project. He provided valuable advice on how to proceed and what areas to research. At a later point, contact was made with M. Scott Myers, manager of management research for Texas Instruments, Incorporated, Dallas, Texas, who offered advice on several points. Both of these men have written articles on executive obsolescence or related topics and these articles were used as references for this manuscript. Many other authorities in industry and education were consulted for ideas and experience in specific areas.

Summary. - The sources of primary data are the following:

- 1) The 100 returned initial, brief questionnaires (33 percent response).
- 2) The 17 returned second, more detailed questionnaires of the 29 mailed to companies which could not be visited.
- 3) The 27 personal interviews during which a structured questionnaire was used. These interviews were conducted in 23 companies, more than one division being visited in some cases.

All materials which identify companies or illustrate company practices are used with the consent of the participating companies.

Hypotheses

The following hypotheses were formulated for investigation. Questionnaires were designed to provide information for testing them.

That executive obsolescence is a significant problem in business organizations.- This hypothesis implies that through its presence executive obsolescence has some significant effects upon the business organizations. A search of the existing literature on this topic was made. In order to further test this hypothesis, the model shown in Figure 1-1 was selected which indicates the progress an executive might be expected to make in improving his performance level through time. Failure to achieve this expected progress or, as previously defined, an interruption in the development of executive capability at some point below its full potential because of lack of technological knowledge or ability, loss of motivation or some combination of these and possibly other factors constitutes obsolescence. In the model shown in Figure 1-1 the expected progress line has been plotted on a progress-time comparison graph. The progress check points would be established by some type of appraisal on a periodic basis. Any downslope

or plateau in the progress line which did not terminate in a further upward movement could indicate obsolescence. A sharp turndown which did not reverse could represent an extreme condition of obsolescence.

Another factor in the testing of this hypothesis required the consideration of how many individuals in the business organization might be so affected. Questions were included in the questionnaires directed at this aspect of investigation.

That executive obsolescence is an important problem to society. -

This hypothesis is based upon the previous one and required for testing an examination of the concepts of human capital formation and its importance to society. The acceptance of the premise that obsolescence reflects a less than maximum development of the individual's human capital increment was also required. Questions were included in the questionnaire relative to the executive's social and community activities. A literature search on the topic of human capital also was undertaken.

That obsolescence can be discerned and measured. -

Investigation and testing of this hypothesis required verification that some standard measure or measures or some other means of evaluation of obsolescence might be applied as, for example, the deviation of the individual's performance from a desired standard. Thus, a failure of the individual's progress line

INDIVIDUAL PROGRESS - ONE TASK

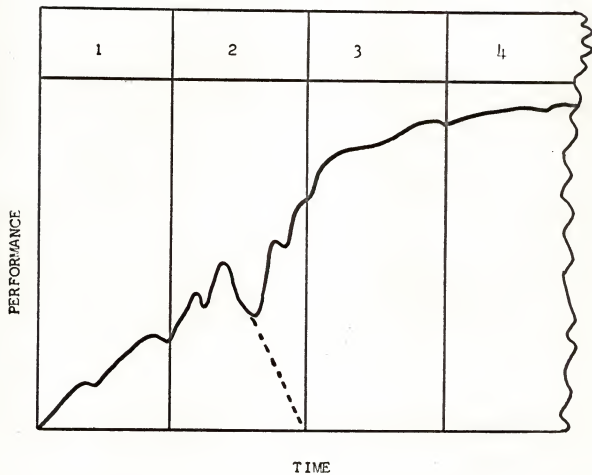


FIGURE 1 - 1

to recover from a downturn or a plateau as previously described might be such an indication. Questions were included in the questionnaires in an effort to determine what methods were being used when the individuals responsible for executive performance attempted to recognize obsolescence.

That business firms have programs designed to prevent obsolescence. - Investigation and testing of this hypothesis centered upon company efforts to prevent any interruption in the development of the executive capability since obsolescence had been so defined in this research. This concept has several aspects. Involved here are such factors as responsible managers providing a continuous series of increasingly challenging tasks for each executive to perform. This would be to prevent his becoming obsolete because of lack of challenge. The model shown in Figure 1 - 2 was selected to represent this concept. It shows a series of increasingly difficult task assignments which have been designed to have the effect of raising the expected performance standards of the individual as represented by his progress line as his capability increases. An important aspect of this phase of the investigation involved examining various programs of executive development in use in the companies researched. Since obsolescence had been defined in this investigation as interruption in development, company development

INDIVIDUAL PROGRESS - SEVERAL TASKS

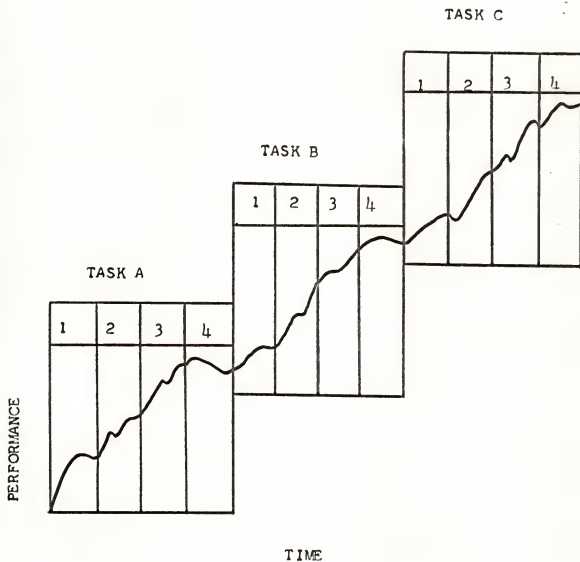


FIGURE 1 - 2

efforts were recognized as a positive or preventive effort. Questions were included in the questionnaires directed toward this area of company activity.

That programs designed to re-assign, relocate, or terminate obsolete executives are used by business firms. - This phase of the investigation was centered upon obtaining particular examples of obsolescent executives from the respondents being interviewed. The actions taken in these cases were expected to constitute the evidence for testing this hypothesis. These examples and the subsequent actions taken by the companies involved also may be considered from the standpoint of the model provided in Figure 1 - 1. The dotted line carried on a downslope in the model may be thought of as representing the development path of an individual who is obsolete to the extent that strong action by his employer is required.

Format of the Presentation

This investigation was designed and conducted as described in "The Basis of the Research." The results have been presented in the following manner: First the concept of executive obsolescence is defined for the purpose of this investigation. A basis for some degree of comparative measurement is presented next. Subsequent chapters present the evidence found to support or refute the hypotheses which were

tested. The literary support is included. The conclusion summarizes the investigation and discusses the extent to which these hypotheses are believed to have been supported by the results of the investigation. A detailed discussion of the sampling technique used in selecting the companies to be contacted, a list of these companies, copies of all forms and questionnaires used, and a bibliography may be found in the appendices.

CHAPTER 2

THE IMPORTANCE OF THE PROBLEM OF EXECUTIVE OBSCOLESCENCE TO BUSINESS ORGANIZATION

Some Quantitative Aspects of the Problem

Executive obsolescence defined as: An interruption in the development of executive capability at some point below its full potential because of lack of technological knowledge or ability, or loss of motivation, or a combination of these factors--was recognized as a problem in their companies by twenty-seven of the forty executives answering this question. Another seven gave a conditional 'yes' answer, such as "not our foremost problem but an important one." Two others chose not to answer this question. Only four (10 percent) said it was not a recognized problem. Considering both conditional and unconditional affirmative responses, eighty-five percent were affirmative. No claim may be made that this group of forty companies is a representative sampling of business organizations. Therefore, there is no intent to project this eighty-five percent figure to other

business units. However, these companies are major American corporations which employ thousands of executives. This alone makes the problem of executive obsolescence one of significant size. It seems logical to assume also that these companies are not unique in having this problem since they are similar to other companies not included in the sample in other respects: size, organization, structure, location, market, and other factors.

The number of managers, officials, and proprietors was estimated as 7,916,062 in 1960.¹ The most frequently cited percentage estimate of executives suffering some degree of obsolescence in the companies where interviews were conducted was ten to twenty-five percent. (See Figure 2 - 1.) No significant degree of accuracy may be claimed for these estimates. If these percentages are applied to the 1960 population of managers, officials, and proprietors, however, the resultant estimate of 800,000 to 2,000,000 suffering obsolescence is of impressive magnitude.

The intent of obtaining accurate quantitative information on either the number of obsolete executives in a specific company, or the degree of obsolescence of a particular

¹"Report to the President - A National Program to Conquer Heart Disease, Cancer, and Stroke," Volume II, The President's Commission on Heart Disease, Cancer, and Stroke, February, 1965, p. 288.

Individual was not included in the plan of this investigation. The concept was believed to be too unformulated and the terminology too unspecific at the present time. This proved to be the case when agreement on terminology had first to be reached before some of the interviews could commence. Actual methods of measurement: graphic progress comparisons, progress charts and devices similar to that shown in Figure 1 - 1 were being used in some companies. However, only three respondents were willing to discuss their methods and none of these would permit this information to be included in any report. Other respondents refused discussion, indicating that their methods of measurement were not fully developed, were undergoing revision, had not been fully evaluated by the executives responsible, or were unsatisfactory for other reasons.

A successful attempt was made, however, during several of the most productive interviews to obtain some amount of specific information. These questions were asked in addition on the structured interview questionnaires:

(1) What percentage of the executives are obsolete in this company? (2) What age is most affected? (3) What will you spend to help them? The responses are summarized in Figure 2 - 1. There seemed to be some propensity to pick 20-25 percent as representing the percentage of the total group showing the effects of obsolescence. This may have represented more

Responses of Executives in Selected Companies to
Questions About Their Obsolescent Executives

<u>Respondent</u>	<u>Obsolete Executives As a Percentage of Total Executives</u>	<u>Age Group of Obsolete Executive</u>	<u>Amount Spent to Help Obsolete Executives</u>
Company A	"20-25 percent."	"Probably older, be- cause less flexible."	"Depends on em- ployee's produc- tivity."
Company B	"Can't give a per- centage."	"Hits about 55 years."	"Will go to heavy expense if the man recognizes his problem."
Company C	No answer	"50-55 years."	"Would spend up to one-half of the man's yearly salary on technical or medical rehabilita- tion."
Company D	No answer	"Can't say age."	"Have spent as much as \$30,000 for a special program."
Company E	"About 2 percent."	"The 55-year-old man, primarily."	"One-half year's pay or the cost of re- placement."

Figure 2 - 1

Figure 2 - 1 (Continued)

<u>Respondent</u>	<u>Obsolete Executives As a Percentage of Total Executives</u>	<u>Age Group of Obsolete Executive</u>	<u>Amount Spent to Help Obsolete Executives</u>
Company F	"Many somewhat obsolete, none entirely obsolete."	"No specific age group affected."	"Spend cost of ter- mination and replace- ment, and no more, except for special case."
Company G	"Very few, since company is 'top of heap'."	Age group not iden- tified	"Spend at least cost of termination and hiring."
Company H	"10-15 percent."	"48 and up." (48- 65 years)	"Spend only on excep- tional man. Others cut off."
Company I	"20-25 percent"	"No sure trend." (38-48 years median)	"Cost of replacement plus 50 percent or more, depending on man's value to com- pany."
Company J	"Very few."	"No particular age."	No answer.
Company K	"3-4 percent top level; 15-20 percent of operat- ing levels."	"50-65 years."	"Replacement cost and more."

Source: Information obtained by personal interviews.

of an informed hunch or an educated guess than any actual measurement in some cases. The unwillingness of some respondents to select an age category and the willingness of others to do so may have reflected certain individual problem executives they were aware of. Considerable agreement was found, however, concerning what would be spent on some sort of rehabilitation effort. With few exceptions, at least the termination and replacement cost for the executive involved would be expended to salvage him. This seems to reflect economic good sense on the part of the managements involved since restoring a presently employed executive to continued usefulness retains all his accumulated knowledge of the company and also avoids the break-in period any new man would require. At the same time the willingness to expend this amount (which is a substantial figure in the case of upper level executives) offers a considerable possibility of additional education, special seminars and other retraining devices for the problem executive.

Company and Extra-Company Obsolescence Causal Factors

Some perspective regarding the probable age at which an executive might encounter the problem of obsolescence was obtained by questioning a group of personnel executives. While there was not sufficient consensus of opinion to make a firm judgment, there was considerable support for the 50-60 age

bracket as being a likely one. On this basis, if the executive is, say 55 at present, he was born in 1913 and finished his formal education between 1935 to 1940. While no generalization may be made about what his education included, certain generalizations may be made about what he did not study. This is particularly true of the methods, innovations, and inventions which either were not recognized or were not widely understood and discussed at the time these executives were completing their formal learning. Knowledge of, and ability to work with these new factors has to be obtained by these individuals while they continue their regular full-time employment. Success or failure in doing this is reflected in their relative job performance since familiarity with many of these new factors is now a regular part of current executive preparation.

Company Internal Factors

Executive was promoted before capable of handling new position. - This factor achieved approximately a thirty-five percent recognition as a causal factor in executive obsolescence. The under-promoted executive was said to be a morale problem in many cases. The over-promoted one faced with responsibilities he could not successfully assume was said to stop trying in some cases. He thus became obsolete by the definition used in this investigation: An interruption in the development

of executive capability at some point below its full potential because of. . . loss of motivation. One specific case was discussed in detail.

Case 2 B-1. - This man in his late 20's was a high level executive in an aircraft firm. He had advanced very rapidly, and there is reason to believe he was overplaced in a position beyond his abilities. It is now believed that he joined a second aircraft company at which this interview occurred for this reason. Unfortunately he was also overplaced in the second company. He proved to be lacking in several basic management qualities such as leadership, rapport with subordinates, and ability to inspire confidence in subordinates. His lack of satisfactory performance was pointed out and certain required improvements were outlined. He was unable to improve to the standards desired and was terminated. He had not found reemployment which he considered suitable at the time of this interview which was over two years after his release by this company.

This was the youngest individual discussed in any of the interviews. Several judgment errors are apparent in this case involving the individual's personal inability to determine his proper placement and also the errors of executives making decisions concerning him.

Executive's age - too old to learn. - This factor achieved a twenty-five percent recognition as a cause of obsolescence. Discussions of this particular problem ranged widely over the many changes which have occurred during the career of a man who has spent say, the last forty years in an executive career. Dr. Billy E. Goetz describes these changes as 'explosive' in his article, "Avoiding Managerial Obsolescence" published in the Spring of 1965 in the California Management Review. He states that they include: (1) explosive technological change, (2) a medical explosion, (3) a population explosion, and (4) an information and education explosion.

Executives being interviewed pointed out that the older man had to adjust to these things 'in stride', so to speak, while to his younger fellow executives the changed conditions represented the familiar world in which they had been raised.

In retrospect this factor might also have been worded 'too old to adapt'. A drop off in learning capacity from the standpoint of ability to concentrate or ability to retain information with advancing chronological age may be a factor. "In physical strength a man peaks at twenty-one and plateaus to the late 60's, the period when degenerative diseases start. . . but the capacity for mental growth is unimpaired in middle age. . . . The trapped middle-ager is introspective and rebellious all at the same time."²

²"The Command Generation," Time, July 29, 1965, pp. 50,53.

Since the learning situation involves both ability and desire, either factor may prevent the older executive from remaining competitive.

Prosperity - afraid to take any risks; present success - reluctant to change his methods; and complacency - satisfaction with present conditions. - These three factors are being analyzed together because each is a slightly differentiated concept of an executive's attitude toward accepting changes in his environment. Prosperity was selected by twenty-five percent, present success by fifty percent and complacency by fifty-five percent of the respondents in the forty companies included in the investigation.

The executive was described as being too satisfied with his income, his present method of operating or the general conditions surrounding his present position to accept necessary changes or assist in initiating them. Respondents were especially concerned with these factors in those companies where sweeping alterations had been or were being made. In the Friden Company, particularly, where a change was in progress from 'gear-train' to electronic calculators these factors were discussed. Several respondents in petroleum companies were also expansive in exploring these particular factors during the interview. One of these executives placed

heavy emphasis on these factors in 'measuring' obsolescence.

Dr. Jucius has raised questions concerning this problem:

Attitudes are an influential factor affecting leadership. How does one perceive his job, his superiors, his subordinates, and his company? How does one perceive oneself personally, in relation to others, and in relation to future hopes and ambitions? How does one view challenge, change, and responsibilities? Almost everyone has some answers to these vital questions, but how well they are evaluated is another matter.³

Introduction of new methods and new products has a significant impact on the executive's working environment. These factors also have far-reaching consequences with respect to his personal adjustments.

How attractive, for example, is the prospect of completely overhauling his basic managerial philosophy to a man who is fifty or sixty years old and who has been doing things according to a certain pattern for perhaps thirty years? Several of the executives interviewed cited the executive attitude as a significant factor in deciding whether to undertake a redevelopment effort in his behalf or not. "To remain competitive and successful, management must create an atmosphere of questioning its methods of doing business, must be alert to fresh ideas, new approaches to problems and innovate new concepts and ways of doing things."⁴ The individual who

³ Michael Jucius, Personnel Management (6th edition; Homewood, Illinois: Richard D. Irwin, Inc., 1967), p. 246.

⁴ L.J. Weigle, "Executive Obsolescence, Sign Posts at the Crossroads," Address given at the 13th Annual Conference at Northwestern University; Evanston, Illinois, pp. 9, 10.

recognizes the need for such an atmosphere presumably would also encourage whatever steps were required to retain it, including new programs, new methods and new concepts. He also presumably would recognize the need for and would cooperate with efforts to restore his own capabilities. Several respondents cited the necessity of having the individuals involved in obsolescence problems accept company efforts to restore their effectiveness. An additional factor which came to light during the interviews was the need to change the perspective of the entire management group so that they accept change as useful rather than dangerous and threatening.

Organization pressures and complexities. - This factor was chosen by fifty-seven percent of the respondents. Discussion centered around the vastly increased complexity of their present organization because of product line, geographical, functional, or other types of dispersion. This was said to result in maladjustment by some executives who could not expand their perspectives sufficiently. Some cases exhibiting this problem are described elsewhere in this study. A case was also cited of an executive becoming immobilized because of specialization.

Case 2 B-2. - This chemical manufacturing company had a competent executive who had become highly specialized in an area of the company's operations where most of the executives were

noticeably weak. Because of this he was blocked-in with no chance for advancement. This position was essential but not glamorous and he was passed over for promotion on several occasions. Finally, due to strenuous efforts by people who recognized this problem, he was transferred to a position in which he could apply his present knowledge and gain some additional knowledge. His progress in the new situation will be watched with interest.

Loss of confidence. - This factor was selected by twenty percent of the respondents. Mr. W. L. Faison of the Humble Oil Company cited the physical manifestations of loss of confidence which reflected a reluctance to accept challenge as being a possible means of detecting obsolescence.

Lack of curiosity or loss of curiosity. - The possession of an inquisitive mind was described by one respondent as a positive requirement for success in his company. Overall, twenty-five percent of the respondents selected a loss of curiosity as being a significant cause of obsolescence in their managers.

Community and social responsibilities. - This factor which implied neglect of the executive's work-centered responsibilities because of community and social involvement was selected by thirteen percent of the respondents. Several others reacted negatively to this factor saying, in effect, that it was

possibly the least important one to them. This factor was discussed specifically concerning one executive who had been manager of a branch plant which was a significant part of the economy of a small town. Consequently he became a councilman, chairman of various committees, and so forth, to such an extent that he began to think of himself as a locally based business owner rather than a corporate executive with a local assignment.

Lack of direction. - Forty-two percent of the executives responding to these questions selected this factor as significant to executive obsolescence in their companies. Over sixty percent of these men said they employed redirection to attempt to correct obsolescence. The factor has two different meanings: (1) the individual had not had effective direction by his superior, and (2) the individual was not properly goal-directed in his career. In discussion these meanings were frequently inter-related. No separation is possible in the weight each meaning carried when this factor was selected.

Unwillingness to place corporate goals above local goals. -

This factor was selected by forty percent of the respondents as a significant one for them. One example that was given involved the necessity for a division manager to realize that the profit position of his division had to be sacrificed so that the corporation as a whole could profit. In this case

his insistence upon pricing a component at a value which guaranteed a divisional profit raised its price when sold to another division. The net result was that this company was losing its market position in this commodity. Reeducation at corporate headquarters was required in this instance to acquaint him with recent trends in interdivisional cooperation in this company.

Basic lack of ability. - There is some justification to the position which certain respondents took that this is not a measure of obsolescence since what was never possessed can not be lost. The definition of the term 'basic' is the thing in question here. If it is given the meaning of 'simple', the above argument is justified. If it is given the meaning of a 'correctable' lack, it may be considered within the definition used for this research. Thirty-eight percent of the respondents selected this factor as significant.

Executive's health - lacks physical stamina. - Fifteen percent of the respondents selected this factor as an important one. Of significance was the fact that in only six companies were the executives' medical records available to their superiors. Twenty-three respondents were asked about this situation. Nine of them declined discussion of it. In eight other companies respondents indicated this information.

remained in the medical department and customarily was treated as confidential. Some question exists, therefore, whether there is a valid basis for either the line or staff executive to recognize health problems unless or until they become obvious through visible manifestations. Executive health as a part of the general health situation is discussed elsewhere.

Extra-Company Factors

That this is the age of rapidly-changing technology is the theme of both the scholarly authors and the news media. Among academic authors who have explored the far-ranging effects of technological and social change, Alvin Hansen's Economic Issues of the 1960's⁵ and Bernard Karsh's "The Meaning of Work in an Age of Automation"⁶ are worthy of note. An article on this topic by Dr. Billy E. Goetz of Massachusetts Institute of Technology entitled "Avoiding Managerial Obsolescence"⁷ has a very wide perspective. Mr. L. J. Weigle, Corporate Secretary for Humble Oil and Refining Company, made a pertinent address at a Management Conference at Northwestern University on the topic: "Executive Obsolescence, Sign Posts at the Crossroads."⁸

⁵ New York: McGraw-Hill Book Co., 1960.

⁶ Current Economic Comment, August, 1957.

⁷ California Management Review, Spring, 1965.

⁸ Address given at the 13th Annual Management Conference at Northwestern University, Evanston, Illinois, November 13, 1963.

More recently Mr. Thomas J. Bray, staff reporter for the Wall Street Journal, spotlighted some adjustment problems in his feature story, "Obsolete Executives - Many Officials Find They Cannot Adjust to Business Changes."⁹ These and other authors have contributed to the recognition of the forces acting on the executive at the present time. Interviews with executives engaged in personnel and industrial relations activities provided examples of actual cases of obsolescence with which they were familiar. In more than half of these incidents failure to adapt to changing technology was cited as either the principle factor or as a contributing factor to obsolescence.

Case 2 B-3. - This man had held a responsible position as manager of a branch plant of a large aerospace-electronics firm for several years. During this period the 'state-of-the-art' in his field of specialization advanced at the home plant but remained unchanged at his particular location. When his branch plant was phased-out and he was recalled to the home plant, he could not compete with others at his level. A specially-developed group appraisal was conducted which resulted in a development plan tailored to his needs. After a period of time, through the actions of this man and follow up

⁹The Wall Street Journal, January 24, 1966, p. 1.

by his superiors, significant improvement was made. He is still employed there and is continuing to develop his abilities.

Case 2 B-4. - This man in his early 50's was headed for directorship in an aircraft manufacturing firm. Suddenly he made several substantial technical judgment errors. (Respondent did not know the reason[s].). This prompted top management to reschedule him for further evaluation. A rehabilitation program was established. The man is now a director after a five-year delay.

Case 2 B-5. - This company in the aircraft industry has recently replaced over half of its top executives. There were numerous problems of failure to adapt to changing conditions on the part of all these individuals who were terminated. The remaining executives have been influenced by the new atmosphere in the company. The newly-hired executives by their initiative and ability have made numerous improvements. The remaining original executives have made some performance improvements because of the stimuli provided by the newcomers.

Computer applications. - When discussing specific factors in obsolescence several respondents affirmed the belief that no other invention has had as great an impact on management as the computer. The computer itself has undergone its own dramatic evolution in a few short years. Management has evolved

also. The massive, yet limited earliest computer configuration requiring high power inputs, extensive cooling, and continuous maintenance was first developed in the early 1940's. Extensive engineering and scientific developments have carried computers through several generations of improvement. These were not merely new models made by 'face-lifting' the original, but there were quantum jumps in both construction and capability. A wide choice of computer installations may be purchased or rented and installed, using tailored modules combined according to the user's requirements. If the requirements are singular the possibility exists of specific design for an almost unlimited variety of applications. But while the designs have been diversified and computer capability has been greatly expanded, the installation and service requirements have been reduced. There also has been a significant reduction in cost to the point where computer capability on an economic basis (pay for itself over some time period) is open to even the smaller business firms. Mr. Dick Brandon, Head of Brandon's Applied Systems states, "In 1951 the cost of 100,000 calculations on a computer figured out at \$25.00 including machine rental and operation; by this year (1966) it had dropped to \$0.02 per 100,000. He projects it to \$0.009 by 1970, because computers have become so much faster and powerful."¹⁰

Dramatic as the development of the computer has been; its impact upon management at all levels has been equally important. Some respondents believed that the point has been reached where the executive does not 'tolerate' this tool, nor does he decide whether to use it or not, nor to what extent. Its capability is so great that it must not only be applied but applied to the greatest extent possible. "Consider, for example, the reason for the recent dismissal of a fifty-year-old controller of a major Eastern drug concern. After six months of tinkering around with our new computer system, explains a company source, it became apparent that he was unable to view computers as anything other than glorified bookkeepers with limited applications elsewhere in the company."¹¹ An isolated incident, perhaps, but respondents speculated on how many similar situations may have occurred and been resolved by something less dramatic than the executive's outright release. How many men have been rotated, demoted, or perhaps 'kicked upstairs' so that someone with a broader knowledge of computer applications and more imagination in its capabilities could be put in their place? How many executives have been quietly side-tracked on 'special assignment' or in advisory slots for this reason?

¹¹Bray, op. cit., p. 1.

It appears inevitable that all executives involved in the functions of production or distribution in a competitive market will find that either now or in the very near future computer technology will have an extensive impact upon their careers. Some examples may be observed.

In the consumer goods field there now exists a possibility long-envisioned but prior to the present impossible of implementation with respect to distribution. "Increasingly, one man is being handed the responsibility for getting the proper amount of the right kind of a product to a place where demand for it exists, and at a minimum cost."¹² This concept envisions a new executive position at the policy-making level which would include responsibility for all of these functions: Traffic and transportation, warehousing, materials handling, protective packaging, order processing, production planning, inventory control, customer service, market forecasting, and plant and warehouse site selection. In the larger firms each of these areas is complex enough to require a management specialist. The possibility now exists for one executive to coordinate all these activities by using a simulation model programmed on a suitable computer. A considerable degree of understanding of the model and of all the functions included

¹²"New Strategies to Move Goods," Business Week, September 24, 1966, p. 112.

in it is required of this executive. Preparing an executive to fill this position appears to present a considerable problem. A similar situation was discussed during one of the interviews in a company which had become more technically involved causing subsequent upgrading of the executive positions.

Case 2 B-6. - This man 'grew up' with the petroleum industry and advanced through various managerial positions in the company. When the company was reorganized a few years ago, he became a technological misfit, lacking sufficient 'know-how' for any of the newly-created positions at his present level. He has been relocated several times within this new organization never quite fitting in well enough to be considered successfully adjusted. He is programmed for early retirement.

An example of the application of this systems approach to production and distribution may be seen in the Norge Division of Borg-Warner Corporation. As Norge's president, Mr. A. B. Kight, describes it the company was experiencing distribution costs approximately equal to production costs on its appliances in 1964. He ascribed this largely to a 'departmental approach' wherein each separate unit was seeking to optimize its own performance and not that of the organization as a whole. At that time the division was under such a heavy fire of criticism from both the parent company and its

customers that a consultant was hired to make recommendations for a major reorganization. When upper management had accepted the suggested new plan and sought to implement it, the usual difficulties were encountered. "Tradition and so-called standard operating procedures can be very deeprooted," says Mr. Kight, "and as you know, resistance to change increases in direct proportion to mental aging. So, there had to be a period of pain, early retirement, resignation, reorganizations."¹³ When the period of pain and adjustment had been negotiated, Norge had fashioned a system in which: "All functions starting with forecasting and production scheduling and going on to warehousing, order processing, and shipping have been consolidated under one department headed by a director of physical distribution. Much duplication has been eliminated and the total process speeded."¹⁴

Some of the most serious problems the company has had were inventory build-up at the distributors as well as in their own warehouses and a concomitant tieup of capital at all points. At the same time the heavy distribution costs were putting pressure on profits. The management is said to be well pleased with the new system. Mr. Kight credits it with the following achievements: "We have ceased loading

¹³ Ibid., p. 126.

¹⁴ Ibid., p. 126.

our distributors. We have substantially reduced our plant inventories, our distributor's inventories, and our accounts receivable. As a result we have reduced our over-all investment and at the same time have increased our profitability."¹⁵ A significant point here is that this was done at a substantial cost to the company in its executive ranks because many individuals could not or would not adjust to the new system.

Another computer application having far-reaching effects on management may be found in the Westinghouse Electric Company which installed its first computer in 1956, and founded its Business Systems Department in 1959. The company reversed a downward trend in profits from 1959 to 1963 by reorganization, diversification, and costcutting under President D. C. Burham. Burham gives the computer much credit for its contribution to cost savings. The Tele-Computer Center located in Pittsburgh has a Univac 490 real-time computer as it's central unit. In addition, there are now over seventy other computers in use in the company.

Among the routine functions performed by this system are: A processing system which dispatches industrial incoming orders either to the applicable warehouse if the item is stocked, or to the appropriate manufacturing area if it is not; inventory records on a real-time basis; real-time cash balance;

computerized book closing; collection of daily sales reports; and a variety of payroll and invoicing operations. More functions are being added to the system. These applications include programming higher level decisions and permitting the computer to sort out impossible or 'blind alley' alternatives, thus narrowing the managers' decision choice to workable alternatives.

Many clerical jobs have been eliminated in the payroll, sales order, and stock ledger category. Managerial positions also have been eliminated and combined as the computer gradually took over the details. "To some degree," Vice-President Evans adds, "computerization requires a new type of manager. He has to be able to think about how he does something rather than just do it."¹⁶ This new demand on management was not welcomed by all incumbents in the management hierarchy at Westinghouse. The ready, constant means which top management now has to check on all levels of management performance through the real-time computer system also was found undesirable by some executives who liken the Tele-Computer to 'Big Brother'. Some observers have blamed these factors for some of the turnover the company has had at the divisional manager level. Whatever other results it is having, there

¹⁶ "How Computers Live a Management's Ways," Business Week, June 25, 1966.

are a number of beneficial effects. "Westinghouse has learned to live with the computer--and it couldn't be happier."¹⁷ This is the official company position as voiced by the top management.

These examples have been used to indicate the impact upon executives at all levels in the companies involved when computer technology changed the content and method of their jobs. Other examples have been described elsewhere in this research in the form of actual individual cases which were discussed during the interviews in the companies in which the investigation was conducted.

Innovation. - "What is the alternative to automation and other forms of scientific and technological progress? Stating it very bluntly, the alternative is a downgrading of our industry, our economy and our society in general. It would be planned obsolescence on a grand and tragic scale."¹⁸ In the above statement Mr. Eppert, Chairman and Chief Executive Officer of the Burroughs Corporation, has summarized the position industrial management finds itself in today. The luxury of choice of whether or not to embrace the new technology no longer exists. The only choice remaining appears to be

¹⁷ Ibid., p. 113.

¹⁸ Ray R. Eppert, "Automation and National Policy," The Atlanta Monthly Review, Bureau Business and Economics Research, School of Business Administration, Georgia State College, October, 1966.

how best to do it.

The announcement that an electrical generating plant powered by atomic energy is to be built and put into operation in upstate New York is no longer a source of amazement or even surprise. The Niagara-Mohawk Company made such an announcement in 1966 and achieved newspaper lineage about equal to that normally given to a small merger or a routine financial transaction. Yet, thirty years ago atomic energy was only a scientific curiosity. In the few short years since its first successful use as a destructive force during World War II, the technology has been developed and the public has been made aware of it to such an extent that an announcement of a practical application is accepted as routine. It seems entirely likely that many managers in the electrical utility industry will have to recognize this new power source and become familiar with its potential.

No industry seems to be immune to change. An example is the impact that continuous casting of steel is having on management in the steel industry. This process provides for molten steel to flow directly from the melting furnace through a moving bowl-shaped vessel and then after achieving a small degree of surfact hardening to move through rollers and be formed into finished sheet stock. It will be necessary for all steel industry executives to become familiar

with this new technique. But that is probably one of the simpler aspects of the problems to be faced. Prospects of expanding markets for steel due to decreased costs made possible by the new method have appeared to the executives. The deterrent to embracing the method is provided by the fact that the technique is not yet perfected.

The decision as to when to invest heavily in continuous casting is an agonizing one because of the huge potential cost savings if the process works well. Capital cost of a continuous casting facility is as little as half that of conventional primary rolling and ingot facilities for the same tonnage. And for every ton of steel poured, many experts predict an operating savings of \$5 to \$10 a ton. . . . But the process is full of engineering perils in practice. Cooling must be done precisely or the molten steel will break out of the hardening skin. The metal temperature, the rate at which the steel is withdrawn and other factors influence the quality of the steel produced.¹⁹

What is making this problem especially difficult for steel management is the fact that evolutionary change has been the pattern in steel making. It is not usual for these executives to face a situation calling for decisions involving a revolutionary technological change which still is continuing to evolve. Each company's management must take a position with respect to embracing this new method. This is an example of the pressures technology is putting on management.

The steel companies are gambling, whatever they do with the process. If they plunge deeply into continuous

¹⁹Herbert C. Lawson, Wall Street Journal, October 21, 1966, pp. 1, 18.

casting now, they risk investing heavily in a process that might not work effectively. If they hold back, they risk falling behind competitors in low cost efficiency, if these competitors go ahead and the process works as well as enthusiasts say it will.²⁰

Since investments in the hundreds of millions of dollars are involved, a wrong decision either way could terminate an executive's career. During the interviews several executives spoke of the refusal to face challenges and to accept changes as symptoms of obsolescence.

Frequently technological improvements in one industry will produce effects beyond that industry. This is the case with the introduction of new energy sources such as atomically-produced electricity and of the development of newer processes for steel production which were discussed above. It is also true of the introduction of improvements and innovations in transportation which have been taking place. Business authors recently have stressed the need for more management attention to be directed toward their company's distribution methods as being more likely than production improvements to yield cost savings now. Substantial improvements in various areas of distribution are being made by application of computer planning to inventory control, warehouse location, order handling, and other factors. Physical movement of goods by various

transportation methods is another area that is paying dividends to alert executives. "The sweeping changes that are coming to physical distribution are having repercussions far beyond the distribution mechanism. The need for faster, cheaper movement of goods has spurred development of new types of transportation hardware. These in turn, are changing the way of whole industries."²¹ Examples of improved and redesigned transportation hardware can be seen in highway, rail, water and air applications. They take the form of bigger, more flexible trucks, railroad cars, boats and aircraft, which generally can move more rapidly and also can be loaded and unloaded more quickly with a minimum of labor. A universal container has been developed which, once loaded by the shipper, can be transported as the trailer portion of a semi-trailer truck, deck-loaded aboard ship, mounted on railroad flat cars, or air freighted. This unit is suitably sized and shaped for all these methods and has suitable hardware for lifting, tying down, and other handling. Cost savings are obtained through reduction in damage and reduced handling labor, but primarily by movement of larger quantities when these improved transportation units are employed.

²¹"New Strategies to Move Goods" (Special Report) Business Week, September 24, 1966, p. 129.

The challenge to management is to learn how to handle larger quantities of goods in a single shipment in order to take advantage of these savings. Mr. H. O. Matthews, Vice President for transportation and distribution at Armour and Company says,

For many years, meat moved in refrigerator cars cooled by ice and salt. The normal weight of the load on which rates were based was 21,000 lbs. Now meat moves in far larger cars cooled either by mechanical or chemical means, with far better insulation, and it moves 100,000 lbs. per car. The difference in rates is about 1¢ per lb., or \$1,000 a car.²²

Part of the necessary adjustments executives in the packing industry are making to take full advantage of this high volume car is to move its slaughtering operation away from its markets and closer to the cattle producing areas. The reason, of course, is to remove the unusable portions of the animal before shipment. This is an example of the efforts of the railroad executives to make railroads more competitive with the other transportation modes which is resulting in a major shift in plant location in the meat packing industry.

There is also an experimental bulk-cement carrying car under development by the New York Central Railroad, which some observers believe may have a significant impact upon cement distribution. This car is equipped to blow the

²²Ibid., p. 129.

powdered cement into a truck, using air pressure. Location is a critical competitive factor in marketing cement, which has relatively little brand differentiation and is sold on a convenience and price basis. This new railroad car may be considered as a silo having extreme flexibility of location. In effect, the transportation pipeline would serve also as a warehouse in this case. This is also the major theme being used by the airline cargo carriers, which propose that the speed of air deliveries may be used by various industries to reduce warehouse locations to some minimum number. Management must possess both the technical qualifications and the imagination to fit the new technology of transportation to the specifics of a particular situation.

Each industry and each company has a unique situation, to some degree. The challenge to the executives which individuals being interviewed stressed was being aware of and applying these innovations to their situations.

CHAPTER 3

THE SOCIAL AND ECONOMIC LOSS DUE TO OBSOLESCENCE -

THE HUMAN CAPITAL ASPECT OF EXECUTIVE SKILLS

Among the most frequently chosen methods of avoiding obsolescence discussed during the interviews were: company sponsored medical checkup and correction programs; periodic evaluation with subsequent redevelopment and redirection; and transfer and relocation involving rotation, promotion, and demotion. Examination of these factors reveals that they involve the executives' health, education and mobility. To be effective the executive must be healthy. He must be sufficiently educated and trained both academically and industrially. He must be occupying the most suitable position for his abilities. A periodic appraisal must be made to check on his effectiveness since the situation is dynamic. Corrective action must be immediate and forthright. These factors are necessary determinants of his success on the job and consequently of significant interest to the individual's superior. They are also determinants of his contribution to his community and the economy since his full potential can not be attained if a health or educational deficiency exists or if his mobility is

reduced. From the social standpoint the individual's productive potential may be considered Human Capital.

Human Capital is the term used to refer to human productive potential. Recent investigation has been concentrated on human capital and technological advancement in an attempt to explain the growth of income which in most developed countries has exceeded the physical capital available. Economists have become increasingly concerned with the interactions among technological advancements, physical capital and human capacity.

Although it is obvious that people acquire useful skills and knowledge, it is not obvious that these skills and knowledge are a form of capital, that this capital is in substantial part a product of deliberate investment, that it has grown in Western societies at a much faster rate than conventional (nonhuman) capital, and that its growth may well be the most distinctive feature of the economic system. It has been widely observed that increases in national output have been large compared with the increases of land, man-hours, and physical reproducible capital. Investment in human capital is probably the major explanation for this difference.¹

The analytical scaffolding of these studies rests on the proposition that people enhance their capabilities as producers and as consumers by investing in themselves. It implies that not all of the economic capabilities of a people are given at birth, or at age fourteen when some of them enter upon work, or at some later age when some complete their schooling; but that many of these capabilities are developed through activities that have the attributes of an investment. These investments in people turn out not to be trivial; on the contrary, they are of a magnitude to alter radically the usual measure of the

¹ Theodore W. Schultz, "Investment in Human Capital," The American Economic Review, March, 1961, p. 11.

amount of savings and capital formation. . . . Meanwhile, however, the stock of human capital has been rising relative to income. If the ratio of all capital to income remains essentially constant, then the unexplained economic growth which has been so puzzling originates mainly out of the rise in the stock of human capital.²

The principal forms of direct investment in the productivity and well-being of people are: health, learning (both in school and on the job), and location (migration). Formal education and health constitute two large components of public and private spending in the United States.³

This awareness is encouraging enlarged investment both public and private in human potential in the areas of health, learning, both formal and on-the-job, and mobility or migration which relocates the human capital to those areas where physical capital is concentrated to achieve a better balance. The human capital potential is realized through its ability to apply technological advances to the existing physical capital to expand production. This achievement has both social and individual benefits.

Meanwhile, economists have come upon numerous signs pointing to improvements in the quality of human resources as one of the major sources of economic growth. To explore what lies back of these signs, a theory of investment which includes people is essential.⁴

These social and individual benefits are of very great

²Theodore W. Schultz, "Reflections on Investment in Man," The Journal of Political Economy, Supplement, October, 1962, p. 1.

³Burton A. Weisbrod, "Education and Investment in Human Capital," The Journal of Political Economy, Supplement, October, 1962, p. 106.

⁴Schultz, "Education and Investment. . . .," op. cit., p. 3.

importance. They have been given increased attention in the recent literature.

In the discussion which follows, a 'benefit' of education will refer to anything that pushes outward the utility possibility function for the society. Included would be (1) anything which increases production possibilities, such as increased labor productivity; (2) anything which reduces costs and thereby makes resources available for more productive uses, such as increased employment opportunities, which may release resources from law enforcement by cutting crime rates; and (3) anything which increases welfare possibilities directly, such as development of public-spiritedness or social consciousness of one's neighbor.⁵

The human capital concept applies to the entire population. It is especially applicable to the executive population because of the impact managers have on other individuals. Because of the positions they occupy executives have a broad influence, good or bad, on many people.

~~X~~ All three areas of investment in human capital; Improved health, increased education, and increased mobility are open to companies making an effort to restore obsolete employees to greater usefulness. Some respondents indicated during the interviews that they are active in all three areas. Attempts to improve the educational position of the individual seemed to predominate in some companies. Improved education takes many forms in human capital literature and includes on-the-job training and formal education at all levels from elementary to

⁵Weisbrod, op. cit., p. 107.

advanced professional training. Some writers have treated education exclusively, while others have given it a major emphasis while discussing health and mobility also.

The Individual

During the interviews conducted for this investigation the respondents frequently referred to the sacrifice, the investment in terms of time and effort, the executive must make to update his education. They also spoke of the more than compensatory return for doing this. The focus generally was an economic one, increased income. However, several of the benefits accruing to the individual because of increased education are intangible and non-monetary in nature. Non-financial benefits may include: Additional job options, income-leisure-security options, additional schooling option, on-the-job learning options, way of life options. Recognizing the existence of such options suggests a way of estimating the monetary equivalent value of non-financial returns to education. A college graduate who chooses a lesser financial reward may be assumed to be receiving non-financial returns equivalent to the financial returns foregone. In general, additional education widens job choices and knowledge of these choices. There is some tendency for better educated people to choose job alternatives having non-monetary rewards such as greater

security instead of maximum income. Assuming that knowledge of alternatives existsthe choices may have caused downward bias in the previous estimates of individual returns to education using incremental earnings for people at different levels of education as the reference point.

In addition to the non-financial returns which are largely unmeasurable there are external benefits which are difficult to quantify accurately.

Most economic analysis of return from education has focused on the contribution of education to earning capacity (and, presumably, to production capacity). While this has been valuable, it is only part of the picture, and perhaps not even a large part. Even aside from market imperfections, which create inequalities between wage rates and marginal productivity, earnings are an incomplete measure of the productivity of education to the extent that production occurs outside the market. In addition, emphasis on incremental earnings attributable to education disregards external effects.⁶

The external effects to which Dr. Weisbrod is referring in this statement are the benefits conferred by the individual's education on his family, his neighbors, his employer, and society at large. Dr. Weisbrod cites the presence of compulsory school attendance in America as evidence that these external benefits are considered to be important.

⁶
Weisbrod, op. cit., p. 106.

The Company

There is also a hedging option inherent in education which does not lend itself to measurement but is especially pertinent in preventing obsolescence. This may be thought of as the increased ability on the part of the individual to adjust to changing job opportunities. With the rapid pace of technological displacement, adaptability (which may be a significant result of additional education) becomes important. Education may be viewed as a type of private and social hedge against technological displacement of skills. As Dr. Schultz has stated, "Truly, the most distinctive feature of our economic system is the growth in human capital. Without it there would be only hard, manual work and poverty except for those who have income from property."⁷

The modern business firm, whether privately owned or incorporated may be viewed as having a variety of assets, both tangible and intangible, which it employs in attempting to achieve its goals. These goals are infinitely varied, but usually include providing some type of goods or services. Typically, these goods or services are provided by more than one firm and this results in some form of competition among the firms supplying them. This factor, competition, makes

⁷Schultz, "Investment in Human Capital," . . . op. cit., p. 16.

obsolescence among the employee group an economic problem instead of just an annoyance. The competing firms must be able to regroup their resources to take advantage of technological improvements. Both physical resources and human resources must be subject to shifting and reapplication as required without restriction. To the extent that it makes the management group more mobile within the firm and more able to accept change, human capital investment in the form of increased education and training may be considered a counter-measure against obsolescence.

Bernard Karsh⁸ has described the rapid erosion of job satisfaction for both management and labor as a result of advancing technology. He compares the automation process, which is taking away the function of the decision-maker, to the advances in machine technology, which have taken away the status of the skilled craftsman. This comparison provides an insight into a very important aspect of the obsolescence problem among executives. The beneficial result of having a management group well educated and trained is the flexibility it promises to provide the firm in assigning and reassigning these executives as new technology is adapted in the company's best interest. There is the motivational factor also to be

⁸ Bernard Karsh, "The Meaning of Work in an Age of Automation," Current Economics Comment, August, 1957, p. 3.

considered. As was stated above, this hedging option of increased education is based on the individual's increased ability and willingness to adapt to changing job opportunities. When the production manager is able to shift easily to new methods and processes, or, if necessity dictates, able to move to research or sales or some other area, executive mobility is being useful. Another possibility involves the acceptance by the entire executive group of a complete change in methods of performing their function such as occurs when the previously non-mechanized firm installs a computerized system. But the statement, 'promises to provide the firm with this flexibility' implies something more. Not only is it necessary for the executive to be able to adjust to these changes, it also is essential that he is willing to do so. In the cases of obsolescence discussed during this investigation these comments were found: 'Couldn't assume a management perspective', 'did not respond to counselling', 'problem of failure to adapt', 'unable to readjust their perspectives'. These comments emphasize another important aspect of executive performance, the executive's attitude toward change.

The Industry

One factor of significance which the initial mail survey discussed was that twenty-four percent of the respondents did

not have any management development program and had no immediate plans to install one. We may speculate that these companies either felt that their management had no development needs or felt that these needs could be satisfied without company effort. At a later point, one executive being interviewed provided an example in which over half of the top management had been replaced by newly-hired men from other firms in the industry and other industries. In this case capability was bought rather than developed within the firm. While this possibility exists for a number of individual firms, it cannot exist for an industry as a whole since only a fixed number of qualified men exist. If physical capital increases and improvements in an industry are not accompanied by an equivalent increase in human capital (improved health, increased education, and increased mobility), the physical capital can not be fully employed. Human capital has to be developed somewhere. New ideas and new methods must be welcomed, understood, and successfully installed by the executives in the industry. A healthy, progressive industry requires that management be both capable and willing to accept necessary innovations and changes.

The Economy

Private benefits from human capital investment are those which accrue primarily to the individual. It is difficult to

envision how any individual's stock of human capital can be increased without an increase to the company's, the industry's and the economy's human capital stock pile. If an individual obtains an immunity from a communicable disease by having an inoculation, for example, the immediate benefit to him is freedom from the possibility of contracting that disease. At the same time, individual immunizations taken together produce a disease-free society. The individual, by paying for protection for himself, also guarantees that he will not become diseased and possibly contaminate his neighbors. When the individual weighs the costs and benefits of increased education for himself or the company plans courses and seminars for its executives, they are motivated primarily by self interest. The same is true of the individual or company decision to relocate an executive for greater opportunity. Properly trained and educated individuals, strategically located, however, are essential to the community's economic well-being and social welfare. An industry-wide improvement, regardless of which group of individuals receives the immediate benefits, also reflects on the general economic welfare.

One very important aspect of increased human capital which has an impact on the individual, the company, the industry, and the economy is that its benefits are cumulative. The benefits of improved health, better education, and

increased mobility of the executive group are not only enjoyed immediately after the increase is accomplished, but continue to be enjoyed thereafter. In addition to this, they are mutually reinforcing. Better health makes better education more easily achievable. Better education leads to a desire for better health and they both make the individual more readily mobile. Mobility, in turn, leads to more opportunity to improve both education and health. At the same time, obsolescence, which may be caused by a deficiency of health, education, or mobility, or some combination of these on the part of the executive, has a negatively cumulative effect. This effect is apparent not only on the individual, but upon all that he influences. His family, his company, his industry, and his community all are denied their full potential because of his obsolescence.

Health

Management has been described by many executives as a demanding occupation requiring high energy output over extended periods. An executive is said to require a high degree of physical stamina in order to meet the demands of the job. All aspects of the executive appearance and actions are believed to have an impact upon the group he directs. Dr. Michael Jucius summarizes this idea in this way:

And finally, an executive's behavioral pattern is a part of his capacity for good or evil. On the one hand, his overt actions of dress, speech, and way of acting in various situations are seen by and affect others. The way he cooperates with others, the basis on which he decides about people, the manner in which he uses authority, and the way he allows (or does not allow) empathy to develop are examples of what those with whom he associates discern very quickly and therefore adjust their actions to his.⁹

The executive is on display as the representative of the company in his group. This is true at all levels. Respondents discussed the cumulative effects on their departments caused by ineffective executives. One of the questions included in the interviews which asked if medical rehabilitation was applicable as a method of correcting obsolescence received a forty percent affirmative response. Respondents described rest furloughs, and temporary changes in assignment for executives having a nervous condition or a fatigue problem associated with overwork. Executive health problems do not stand out clearly in many of the cases of obsolescence discussed during the interviews although it appears to be a contributing influence in several of them. One case discussed did involve a situation which is increasingly being thought of as a medical problem.

⁹Michael Jucius, Personnel Management, . . . , p. 246.

Case 3 A-1. - This man was an executive of a petroleum processing company. His problem centered around excessive use of alcohol. It had reached such proportion that he was no longer effective on the job. Medical rehabilitation successfully restored him to effective performance. Two other executives in the same company (a very small percentage considering the total executive cadre) had been under a similar program for approximately two years. Results were encouraging in these two cases also.

There was insufficient information obtained during this investigation to discuss any actual cases of executive health problems. However, there is an available body of literature dealing with health problems of the population at large. We may make the assumption that the executive, because of the demands of his job, shares in their health problems to at least the same extent as other occupational groups. This assumption probably is a conservative one. In particular there are several major categories of health-impairing and mortality-causing diseases which have a high incidence in the 20-74 age groups. Among these are the cardiovascular diseases, and hypertensive heart disease. These take a heavy toll.

As a cause of death, and as a proportion of deaths from all causes, the cardiovascular-renal diseases appear to have increased in recent decades. At present,

approximately 1 out of every 200 persons in the United States dies each year as the result of a cardiovascular-renal disease. These diseases now account for 54.8 percent of deaths from all causes, (1963). In 1900, only one-fifth of all deaths were charged to these diseases.¹⁰

The distribution of these deaths by age groups within the age span considered suitable for employment is shown in the following table. The total number of deaths is based on a provisional count of all certificates of death filed in 1963. All the remaining figures are estimates based on a ten percent sample of the death certificates filed for 1963. They may not match the total:

<u>Age Groups</u>	<u>Deaths (1963)</u> ¹¹
Below 35	9,120
35 - 44	24,730
45 - 54	73,340
55 - 64	148,460
65 - 74	269,210
Over 74	<u>468,440</u>
TOTAL	993,300

¹⁰"Report to the President - A National Program to Conquer Heart Disease, Cancer, and Stroke," The President's Commission on Heart Disease, Cancer and Stroke, Volume II, February, 1965, p. 14.

¹¹Ibid., p. 15.

Another major cause of disability and death is cancer which strikes several areas of the body.

Cancer is the second leading cause of death in the United States, killing 278,562 people in 1962, and accounting for 15.9 percent of all deaths. A recent report estimates that in 1964, about 290,000 persons will have died of cancer, 830,000 will be under treatment for it, and some 540,000 new cases will be diagnosed.¹²

The distribution of these deaths by age group was as follows:

<u>Age Groups</u>	<u>Deaths (1962)</u> ¹³
Below 35	11,062
35 - 39	5,261
40 - 44	9,148
45 - 49	14,947
50 - 54	22,502
55 - 59	28,523
60 - 64	35,246
65 - 74	82,064
Over 74	<u>69,809</u>
TOTAL	278,562

Of these deaths cancer of the lung accounted for 35,312 or twenty-three percent of the total.¹⁴ There was no effort

¹² Ibid., p. 450.

¹³ Ibid., p. 118.

¹⁴ Ibid., p. 119.

made during this investigation to gather data on executive smoking habits. It seems logical to assume that they are not significantly different from the population at large. Many executives use tobacco in various forms: Cigarettes, cigars and pipes. There has been much comment in the recent literature concerning a possible link between smoking and lung cancer.

During the past decade, evidence has increasingly indicated a definite relationship between smoking and the occurrence of a variety of diseases. In particular, the association of cigarette smoking with increased liability to develop lung cancer has been essentially demonstrated. The work in this area of smoking and disease occurrence was summarized in the 'Report on Smoking and Health', by the Advisory Committee to the Surgeon General in 1964. In addition to confirming previous reviews, the report stated that smoking was a serious hazard to health and indicated the need for more aggressive programs of education and prevention.¹⁵

Executives would be no less likely to be victim to lung cancer associated with smoking if the assumption that their habits are similar to other individuals is valid.

Deaths by stroke in 1962 totaled 197,451.¹⁶ A breakdown of this total by age group was not obtained; however, an estimate of the economic effects of all of these diseases was provided by one source:

Cardiovascular diseases (including stroke) and cancer impose a multibillion dollar burden on the nation's

¹⁵ Ibid., p. 112.

¹⁶ Ibid., p. 450.

economy each year. The economic costs of these diseases can be measured in terms of: (a) Direct expenditures for prevention, detection, treatment, rehabilitation, research, training, and construction of facilities; and (b) indirect costs associated with loss of output to the economy due to premature death, illness, and disability. . . . The economic costs of cardiovascular disease and cancer are estimated at \$43.1 billion in 1962.¹⁷

The source from which these statistics were taken is the "Report to the President - A National Program to Conquer Heart Disease, Cancer, and Stroke," Volume II by the President's Committee on Heart Disease, Cancer, and Stroke. No effort was made in this report to relate these statistics to any particular occupational group. However, the relationship of the number of managers, officials, and proprietors in 1960, 7,916,062¹⁸ to the total population of the United States in 1960, 179,323,000¹⁹ is approximately 4.44 percent. If this same relationship is applied to the mortality statistics for these diseases (an inaccurate procedure since a discrepancy in base periods exists), the following estimates of executive mortality are arrived at:

<u>Diseases</u>	<u>Executive Deaths (1963)</u>
Cardiovascular-Renal	44,100
Cancer	12,400
Stroke	<u>8,750</u>
TOTAL	65,250

¹⁷ Ibid., p. 450.

¹⁸ Ibid., p. 288.

¹⁹ "Population," The World Book Encyclopedia (U.S.A.: Field Enterprises Educational Corporation, 1962), Vol. 18, p. 598.

According to these estimates something on the order of 65,000 executive deaths due to these three diseases alone is indicated. No estimate is included of the lost time, lost efficiency, and judgment errors possibly caused by these diseases prior to their being fatal. Other diseases which affect executives have not been included. Because of these factors, and despite the inaccuracy of this approach, a serious executive health problem appears to exist. This indicates a significant loss of executive human capital potential because of executive health problems.

Education

Elsewhere in this research report the executive's inability to adapt to technological advances and to use new techniques was discussed. Education may affect his willingness to adapt to and use recent innovations. Physiological factors may prevent him from doing so. The individual's unwillingness to do or to refrain from doing various necessary things has an influence on his ability and usefulness as an executive. The executive's personal and attitudinal problem and certain physical disabilities were apparent factors in several of the examples of obsolescence which are discussed elsewhere in this report. Examination of these actual cases disclosed such conditions as refusal to participate in a necessary development program, failure to learn and use new techniques, and an

unawareness of any shortcomings by the executive or a completely 'closed mind' toward accepting any advice or direction.

Also discussed was an example in which a negative attitude because of a situation the individual did not find suitable limited his efficiency. Even in the absence of factors compounding the problem, such as a fall-off in ability, a negative attitude can decrease executive effectiveness. If lack of ability is coupled with a negative attitude, as it is in some of the examples, a severe problem is indicated.

Case 3 B-1. - This man in his middle 40's held a position at the vice-presidential level in an aerospace company about ten years ago. At that time he and several others were offered an opportunity to participate in an Executive Development Program at a large university under company sponsorship. He declined because of other priorities. The other executives did attend this program. This man has also failed to expand his capabilities by study and his own initiative. He is becoming increasingly less competitive with his peers.

Case 3 B-2. - This executive in his middle 50's held a high level position in the accounting division of the company at which this interview was conducted until his methods proved to be inadequate. Particular areas of deficiency proved to be his inability to accept and apply new methods

of planning and the use of data processing in the accounting function. He was shifted to a cost control function in a research area where his responsibility was reduced. The executives of the company believed they bought time with this move by continuing his career in the lesser position.

Case 3 B-3. - This man is an executive in an aerospace company at the program manager level. His strong point was executive judgment. He refused to accept critical analysis techniques as a more desirable alternative than decision based on executive judgment. He was shifted from active program management to a customer-oriented area on a lateral basis where it was felt his methods had better application.

Case 3 B-4. - In this manufacturing company the upper level manager had over-promoted an executive. He became so convinced of his own ability that he refused to seek or accept advice. A poorly conceived action on his part proved costly to the company and he was released.

Case 3 B-5. - This man had been in charge of a technical function for a communications company. He had been moved from that line position to a staff position. He believed the change was disadvantageous to him because he felt the job was more limited. He became withdrawn and exhibited sullen, arrogant behavior. He did not respond to counselling. A special

and extensive effort was made to convince this executive that the move was in his best interest. He finally did recognize this and began to respond and perform. Despite this recent problem, his overall performance indicated that he was vice-presidential timber.

Specific use of formal education as a means of increasing executive ability was indicated by several respondents. There was one outstanding example.

Case 3 B-6. - This executive of a petroleum processing company was sent to a university for full-time study at company expense. The objective was to qualify him for a higher position in a different functional area. The company was sufficiently satisfied with the results to plan additional programs of this nature.

These examples point out the dual role that education plays in human capital development: (1) it permits the individual to qualify for positions of increased authority and responsibility, and (2) it assists him in recognizing the other opportunities available to him. Lack of the necessary education, which increasingly goes well beyond the basic college preparation, may be considered a negative influence on the executives' development.

Mobility

In order to be mobile, able to relocate to another company, another industry and/or another geographical area where his abilities are in greater demand, the executive must not suffer from obsolescence. By discussion with a number of respondents it was learned that transfer and relocation was a common practice in handling cases of obsolescence. These actions, however, usually resulted in decreased authority and responsibility. Mobility is an opposing concept. It envisions the executive relocating voluntarily to a position of increased authority and responsibility. To be mobile he must be able to offer effective performance at the new location. This implies that executive skills are transferable.

Management theorists have stated that there are areas of executive practice which when combined form the manager's capability: The 'Art' of management, the 'Science' of management, and the 'Nonmanagement Skills'. These have been described as follows:

1. The art of management is concerned with the management process, the interplaying and balancing of the organic functions (planning, organizing and control) to assure their proper interaction.²⁰

²⁰William M. Fox, The Management Process (Homewood, Illinois: Richard D. Irwin, 1963), p. 5.

2. The science of management is concerned with the development of conceptual tools, techniques and analytical skills that will improve. . . performance of the organic functions.²¹

3. Non-management skills - Technical skills are acquired through study and practice and are attributes of such experts as the chemist, the statistician, the physicist, the accountant, and the engineer. The manager himself. . . may or may not possess such technical skills. . . nevertheless in his past experience he normally will have acquired a degree of facility in one or more specialized activities.²²

Another author described management science in this way,

Knowledge of management exists; it is used by all managers. This existent body of management knowledge; its use, and the discovery of additional valid information to it has led to a statement and has emphasized that there is a science of management.²³

Management may be thought of as an art in application although it may be a science in formulation. Principles or concepts of management may be abstracted from the practice of management and hence the scientific method may be used. Yet, the application of these management principles must be tempered with experience and with caution in the knowledge that rarely, if ever, are all the variables identical from one time to the next. Situations and people change so quickly that any

²¹

Ibid., p. 5.

²²

Harold A. Koontz and Cyril O'Donnell, Principles of Management (3rd edition; New York: McGraw-Hill Book Co.), 1964, pp. 45, 46.

²³

George E. Terry, Principles of Management (3rd edition; Homewood, Illinois: Richard D. Irwin, Inc.), 1960, pp. 84, 85.

rote application of management principles which worked in one situation will not work ninety times out of one hundred in exactly the same way next time. Management, in application, then, is an art for which a long and tedious apprenticeship is required. Management can be learned. Each participant should realize, however, that the learning process is: (1) frustrating, (2) requires personal motivation, and (3) requires practice.

Support may be found in the literature dealing with management 'art' as described above being learned primarily on-the-job while the 'science' of management may be taught by formal methods. The idea is that the candidate may be equipped with the management tools, such as methods of planning, techniques of organizing, and staffing, and currently accepted methods of direction and control by various formal educational techniques. The skills required for their application, the decisions as to what method to employ in a given situation, the judgment as to when to act and in what way, and the confidence in applying the scientific management techniques are believed to be acquired largely through experience.

These aspects of the manager's capability, the art and the science, are believed to be transferable within the firm and to other companies. A recognized, current, high level

of ability, therefore, permits the executive to be mobile, that is, to take his abilities to the area of greatest need. This is applying his human capital in the most opportune way. Conversely, obsolescence, an interruption in executive capability at some point below its full potential, decreases the executive's human capital and consequently decreases his mobility also.

CHAPTER 4

THE RECOGNITION OF EXECUTIVE OBSOLESCENCE

The interviews with company officials responsible for executive development produced evidence that executive obsolescence was being recognized in several ways. An Executive Skills Index File which provided data on skills and experience possessed by executives was in use in several companies. Consequently, analysis of those files was also able to provide information on which skills and experiences were not possessed and this was believed to be a factor in obsolescence. Another method employed was Performance Appraisal. Some type of appraisal was in use in all of the companies in which the interviews were conducted. Forty-five percent of these included a review of executive progress toward a set of formal, written goals. Lack of such progress was identified by those being interviewed as a method of recognizing obsolescence.

Two other bench marks were discussed which appeared to be pertinent. Fifty percent of those interviewed identified failure on the part of the executive to use new methods as a factor in recognizing obsolescence. Over forty percent of these individuals also compared results of the function being performed or department being supervised by the executive with

a similiar function or department elsewhere in the company or in another company. These were the kinds of factors which were found on the 'Performance' axis of the type of graphic chart shown in Figure 1 - 1 in two of these companies.

An Executive Audit was discussed during four of the interviews. In the Northrop Company such an audit, called The Northrop Management Resources Program, was then in progress. Since the Corporate Headquarters and three of the Divisions: Norair, Nortronic and Venture were visited, a considerable opportunity to examine this audit was afforded. A significant fact, however, was that in fifteen companies no such audit had been made up to that time.

In addition to these methods of observing evidence of obsolescence some individuals believed that visual and behavioral clues were also of value. The executive's physical appearance, both dress habits and general physical appearance and his apparent attitude as reflected by his reaction to problems and challenging assignments were cited as visible clues. These factors are discussed in detail in the following paragraphs.

The Executive Appearance and Attitude

After selecting some of the criteria for identifying executive obsolescence discussed during the interview as in use

in his company, Mr. W. L. Faison of Humble Oil Company, paused for a few minutes to reflect. He then made this observation:

One of the things that tips me off to the fact that an executive may be losing his drive is when he begins to show more interest in his place on the organization chart and in the position's trappings: His office, the size of his desk, his location, and so forth, than he does in the challenge of the job itself and in getting it done. Of course, these things are significant but the man who is moving up relegates them to a minor role. His primary interest is to get on top of his job and then grow into a bigger one.¹

Mr. Faison's belief was that the appearance of the executive position such as the location of the office and its size might tend to become of much greater importance to a man when he is failing to adapt to change and his ability to manage begins to fade. The confidence and assurance which goes with recognized ability make it unnecessary for those possessing it to carry a sign reading 'executive'. This is not to say these men do not use and enjoy all the comforts which accompany positions of authority, but only that for them these things are a means not an end.

An exception to this casual attitude toward executive symbology is the personal appearance of the man himself. An aerospace personnel executive believed that one of the first signs of trouble inside an executive is a lowered standard in

¹ Interview with William L. Faison, Coordinator Executive Development and Planning, Humble Oil & Refining Co., Houston, Texas.

in his appearance. When any man in management lets his appearance slip he believes it reflects a weakening of his morale. His superior should begin to look for the cause of it. Executives get wrinkled, bearded and tired just like other people doing a demanding job. But as soon as possible the man with high morale gets himself restored to top appearance-- both personal and in his wardrobe. He continues to do so as often as is required. This is not the least important example he sets for his subordinates at all times. Respondents who were interviewed spoke of the 'appearance of confidence', and 'the executive attitude in our company', and similar expressions connoting high executive standards. These factors, many of which describe conditions which are difficult to measure, may be recognized in some cases by their effect on the executive's appearance. Thus when an executive loses confidence or is suffering from organizational pressures or is incapable of handling his assignment he may appear harried and begin to let his appearance slip as has been described above. Some of the respondents described a condition of complacency, a satisfaction with present conditions coupled with a reluctance to initiate any changes. This type of attitude probably would not result in any specific behavior pattern that would be easily recognizable. However, there might be some noticeable slackening of pace, and a withdrawal from

those who were driving ahead. The individual would not be looking for new assignments or additional responsibility.

Speaking of the importance of personal factors, Mr. L. J. Weigle stated that: "The thing which really separates the successful, progressive executive from the obsolete executive is the attitude toward change and the ability to be honestly self-critical."² On the basis of the obsolescence factors discussed during the interviews, there was a considerable recognition that the executive's own attitude has a significant impact on his individual problem. This was believed by some executives to be a key factor in identification, in avoidance, and in correction of obsolescence. Among the cases of problem executives discussed repeated reference was made to 'was advised, but refused to change', 'couldn't accept advice', 'declined to participate in an improvement program because of other priorities', and similar expressions. Executives providing data for this investigation believed that the executive who recognized his need to be retrained, relocated, or otherwise readjusted and accepted it willingly was salvagable in many cases. Those who either did not recognize their problem or sought to hide it or avoided being helped presented a much more difficult problem to their superiors. The following

²Weigle, "Executive Obsolescence. . . .," op. cit., p. 11.

actual case was discussed during the interview portion of the investigation:

Case 4 A-1. - This man graduated from one of the finest technical colleges in 1947. He was given management responsibility in an electronics company because of his outstanding technical ability. In subsequent years he made no effort to grow into management timber. His appearance became sub-standard and he lacked ability to get along with and secure cooperation from others. He also permitted his technical knowledge to deteriorate by not attempting to keep abreast of new developments. During a performance appraisal he was told that he needed improvement in these areas, particularly in updating his technical education. Despite the warning he continued to slip until his value to the company became questionable and he was terminated.

In some cases, problem individuals were said to be so highly placed that they were able to avoid all efforts to correct their deficiencies. In at least two instances, a program of executive development was discontinued by order of such an individual, presumably because he did not wish to become involved in it. "The challenge to management in handling the problem of executive obsolescence is the development of an attitude and a willingness to take action. Attacking this problem is somewhat like pulling ourselves out of the mud by

our own bootstraps because the same people who make the decisions to introduce change may be disemploying or embarrassing themselves in the process."³

The Executive Performance and Potential Appraisals

The role of the executive performance appraisal in recognizing obsolescence was discussed during several interviews. All of the respondents interviewed had a system of performance appraisal operating in their organization. Discussion brought out the fact that there were numerous problems being encountered. Where appraisals were being used as a part of a central personnel file these problems became of real concern to the responsible executives. Problems cited included reluctance on the part of some executives to perform appraisals, poorly executed appraisals, and appraisals which were incomplete. With some minor exceptions in technique these respondents were conducting these basic steps during the performance appraisals.

- 1) Completion of the prescribed form by the superior doing the appraisal.
- 2) Interview with the subordinate executive to discuss the various items in the written appraisal.

³Ibid., p. 8.

- 3) Review of the completed appraisal with the appraiser's superior (two levels above the executive being appraised).
- 4) Transmittal of a copy of the completed appraisal to the personnel department (not in all cases).

Performance appraisals were said to depend, like many other management tools, upon the skill and the intention of those using them for their effectiveness. When done effectively the following benefits were believed to result in some degree depending upon the particular circumstances from a periodic review of the individual executive's present strengths and weaknesses:

- 1) Some type of prediction of his immediate and long range potential for assuming greater responsibility.
- 2) A chance to discuss both the present and the future for the executive based upon his present performance.
- 3) A chance to recommend necessary changes and improvements.
- 4) Some possibility for comparing this executive with others at the same level.
- 5) A source of data for compiling an overview of the pool of executive talent in the company.

At some risk of over-simplifying, it may be said that the performance appraisal forms (based on samples obtained)

contained two basic types of questions. Structured questions were employed in which the descriptive data were provided in rows or columns and the individual doing the appraisal checked his selection. Some representative examples of Structured Performance Appraisal questions found in the forms examined are provided in Figure 4 - 1. The other basic type was the open-end question which required the appraiser to compose descriptive statements regarding the candidate. Some representative examples of open-end Performance Appraisal questions are given in Figure 4 - 2. Most of the Appraisal forms examined contained some of each type but usually more of one or the other.

Information obtained during the interview at The Texas Instruments Company and confirmed later by discussion with another official of that company indicated a definite move toward Appraisal By Results. This method involved the following procedures:

- 1) The superior and subordinate confer on the results to be attained by the subordinate in the coming period by discussing desirable achievement objectives which each suggests.
- 2) After agreement is reached the subordinate attempts to achieve these objectives.
- 3) A review of results is made periodically in which both successes and failures to achieve these objectives are

Examples of Typical Structured Performance Appraisal Questions

Management Capability

How well does he:

- Plan? _____
- Organize? _____
- Direct? _____
- Control? _____
- Measure? _____
- Delegate? _____

Not Applicable	Outstanding	Excellent	Satisfactory Plus	Satisfactory	Un-Satisfactory

APPRAISE OVER-ALL PERFORMANCE (Check (✓) appropriate box)

☐ Outstanding: ☐ Above Normal: ☐ Satisfactory: ☐ Below Normal: ☐ Unsatisfactory:

Very exceptional performance; rarely equaled. Performance definitely better than normally expected. Normally expected performance less than normally expected. Clear evidence of inadequate performance.

What he Accomplishes -

Consider the results of the man's work and that of his subordinates.

☐ Quality of work-Caliber of work produced or accomplished compared with accepted standards of performance.

☐ Quantity of work-Volume of accepted work compared with what may be reasonably expected.

☐ Cost Objectives-Effectiveness in meeting cost objectives and in operating at lowest cost, with minimum manpower, by most efficient methods.

Appraisal Code

- ☒ Definitely better than average; little or no improvement needed.
- ☒ Satisfactory; average; normally expected progress being made
- ☐ Below normal performance; improvement needed.

Figure 4-1

Examples of Typical Open-End Questions

Summarize Development Needs and Plans. (Wherever practicable, indicate work experience, training measures, or other improvement and development plans for the man, and how they will be scheduled.)

Methods of Performance. Comment on major strengths and/or needed performance improvement for each factor listed below. Relate comments to accomplishment of objectives and use specific examples where possible. For any factor(s) previously evaluated as less than satisfactory, indicate the degree of improvement since last review.

Job Requirements (Performance Standards)	Level of Performance (Results)
<p>What did you expect the individual to accomplish during this appraisal period? State specific objectives, responsibilities, and accountabilities. List only those which were of major importance to job performance.</p>	<p>What were the individual's actual accomplishments? What was the general level of competence in each major activity?</p>

Figure 4-2

discussed. Projections for the next period are then made by mutual agreement. These reviews may be held as frequently as either party deems necessary.

Their purpose is to aid the subordinate, clear up any misunderstandings, and generally facilitate his progress.

- 4) An annual review is made at which over-all progress is judged and further projection is made. An attempt to measure over-all efficiency is made at this time.

Discussion with executives responsible for these performance appraisal programs and an examination of some samples of their appraisal forms indicated some emphasis on appraising individual potential for assuming increased authority and responsibility. These questions in some cases were included in the performance appraisal form. Such was the case in the Northrop Corporation which was conducting an executive audit (discussed elsewhere in this research report) that included both performance and potential appraisal. The Sinclair Oil and Gas Company, The Collins Radio Company, and The Martin Company, Orlando Division, all had appraisal of potential questions included on their performance appraisal form.

Several examples also were observed of a separate form devoted specifically to appraising potential. Examples of this type of form were provided by the Humble Oil and Refining Company, the Standard Oil Company of California, and the

FMC Corporation. Examples of questions similar to those found on these forms are provided in Figure 4 - 3.

Appraisal of performance and potential was described as one of the factors used in recognizing executive obsolescence by several of the respondents in this investigation. Creation of a planned progression from the appraisal information which required the individual to perform to increasing standards and then measuring this performance was the method used. Failure to achieve was suspected of indicating possible onset of failure by the man to develop his full potential. Close approximations of graphic presentations observed in use during an interview are shown in Figures 1 - 1 and 1 - 2. (Permission to use the actual methods observed was not granted.) The application of a quantifiable factor to the performance axis was based on the executive performance and potential appraisals in this instance.

The Company-wide Executive Skills Audit

In eighty percent of the companies executives interviewed indicated that they had prepared a skills and experience index file for their executive personnel. These files all contained personal records. Approximately fifty percent of them included performance appraisals and about a quarter of them also contained psychological test scores. Very few contained

Examples of Potential-Appraisal Questions

What positions is this man qualified to fill?

Specific Positions

Estimate of readiness for next step ahead		
Ready	Now	Within 1 year
		Within 2 years
		Within 3 years

This man appears to have potential for advancement, but at this time the next step ahead cannot be determined.

✓ Check appropriate reasons.

☐ New on present position, recently promoted, or recently hired.

☐ Other. (Specify) _____

It does not appear likely, at this time, that this man will advance beyond his present position.

✓ Check appropriate reasons.

☐ Own desire, unwilling to change work locations, or similar reasons.

☐ Specialized capabilities which are now fully utilized.

☐ Age, or limited time remaining for development and utilization of capabilities.

☐ Other. (Specify)

physical examination records. Considerable difficulty was experienced with this question as these files were identified by different titles and were found in various degrees of completeness. In the area of executive audit or executive inventory also, differences in terminology and in individual company approaches made it difficult to analyze the information obtained. Sufficient insight was obtained, however, to indicate that in several companies there was some degree of activity in collecting some basic information in addition to the performance appraisal itself and maintaining it on a permanent basis at a central point. Such a central file, whatever it was called, was being used for such purposes as: (1) a source of information on candidates for open positions, (2) a source of information on available skills for a variety of purposes, (3) a source of information for new business bids and proposals. Several respondents stated that more than a performance appraisal was required to make these files useful for personnel purposes.

Mr. William L. Faison of Humble Oil Company stated that he maintains a central records bank which contains information on education, jobs held, and some personal items and has a prediction of the executive's maximum potential. Both Mr. Faison and Mr. Richard Guyon of Standard Oil of Ohio indicated that since a major problem was keeping the material

current, their files would be abridged of the most sensitive information and then placed in computer memory in the near future. There is an obvious requirement to limit such concentrations of information to authorized persons. This is one of several problems encountered in developing such a central executive audit. Another is overcoming the reluctance of some executives to have information which is of a sensitive nature or unfavorable in any way placed on file. Another serious problem is the cost in terms of the time and effort required to initiate and maintain such a file.

During the course of the interviews, it was discovered that the Northrop Corporation was in the process of making a company-wide executive audit called the Northrop Management Resource Program. Since interviews were conducted at the Corporate Headquarters and at three of the operating divisions, it was possible to obtain considerable insight into the program itself and the progress being made in implementing it. This program is discussed below:

The Northrop Management Resources Program⁴. - The program itself consisted of three planned phases as follow:

Phase 1. This required completing three information collection forms.

⁴ Interviews with Robert Weiss, Richard W. Geer, Hal Jansen and Rex B. Fairless of Northrop Corporation.

- MRP-1. This was a seven-page personal information questionnaire to be filled out by the employee. This form was designed to provide biographical, educational, employment, and organization participation information such as professional organization membership. In addition it permitted the executive to state his career-objectives and development needs as he saw them and to indicate the role he desired the company to play in helping him achieve these objectives.
- MRP-2. This portion was to be completed by the industrial relations department. It showed the salary-history, retirement benefits earned, and the physical limitations of the individual.
- MRP-3. This was a four-page structured appraisal form which was supported by a four-page set of instructions and explanations. This form was to be completed by the executive's superior. It involved both structured and open-end

questions covering job knowledge and ability, management capability, personality traits, and evaluation of present performance. In addition, an evaluation of potential for advancement was included both in terms of qualities possessed indicating general potential and an expression of specific areas for which he might become qualified. A statement of development needs was included. The concurrence of the appraiser's superior was required.

Phase 2. Preparation of 'line of progression' charts by the Industrial Relations Department using all of the information provided by the three sets of forms completed in Phase 1. This step essentially required a plot or forecast of the individual's expected progression in the company.

Phase 3. Planning of a Development Program for those requiring it. This was to include: Rotation, special assignments, schooling, company courses, and other factors as required.

Implementation of this program throughout the company by the Industrial Relations and Personnel executives and the various line executives was proving to be a complicated and extensive project. The executives interviewed and others at all levels were said to be pressing the program in their respective areas. Some problems were being encountered in communicating the purpose of the program and the desired method of filling out the forms to the executive involved. Meetings were being held and memos of instruction issued in an attempt to resolve these problems. Corporate evidence of firm intention to implement the project was very evident and this appeared to be a key factor in keeping it on schedule. A later contact with an official at the corporate level disclosed that various changes were then being made based on the initial experience to improve the program.

The Martin Orlando Talent Bank Program ⁵ - A similar program had been installed in the Orlando Division of The Martin Company (a division of The Martin-Marietta Corporation). The initial information gathering phase of this program involved a four-page form called the Talent Bank Program. It included biographical, educational, and employment experience and

⁵ Interview and telephone contact with E. J. Fallon, Manager Education and Development Department, Martin Orlando Division of Martin Marietta Corporation.

organization participation information such as professional association memberships. This company had an active, semi-annual executive appraisal program conducted by the executive's superior and using a time-tested form. It also required the appraiser's superior to concur in the evaluation. A copy of the appraisal was being sent to the Central Personnel Department. This program may also be considered a type of audit although the appraisal phase had been routinized and no additional appraisal was required when the Talent Bank Program was installed.

Similar programs to those at Northrop and The Martin Company were observed in operation at several other companies including The Sperry Gyroscope Division of The Sperry Rand Corporation.

A perspective of the scope and purpose of these audit programs may be obtained from an examination of the phases discussed above. Phase 1 is a type of executive audit consisting of information collection and in some cases current appraisal. Phase 2 involves the preparation of the individual and composite summaries of executive talent in the company which have the general characteristics of Management Inventories. These summaries can be very useful. Phase 3 involves the possibility of a systematic and comprehensive approach to development needs based upon having similar, current information

on a company-wide basis for all executives.

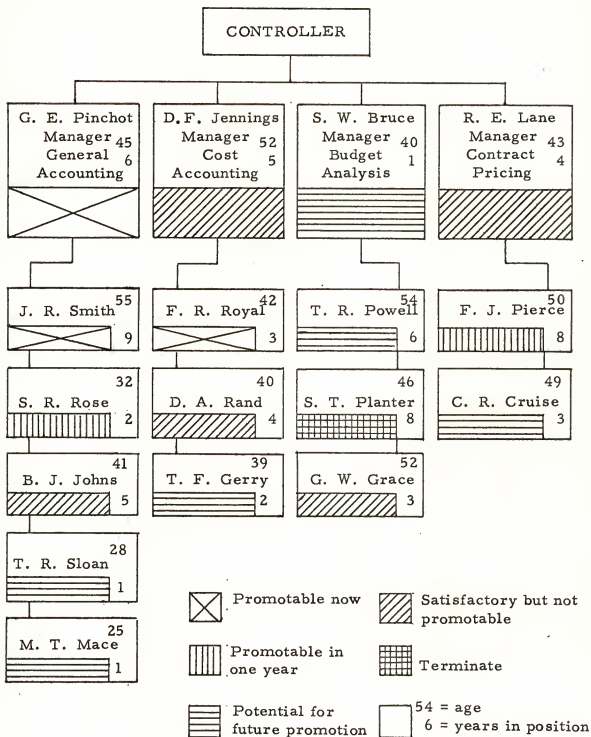
Information gathered during these audits was being summarized by the personnel executives interviewed in both individual and group units. Because of its sensitive nature no respondent would grant permission to reproduce one of these summaries. An individual summary resembled a structure showing all the positions to which the individual could be moved. A group summary greatly resembled the Management Inventory.⁶ A Management Inventory is shown in Figure 4 - 4. The one observed was more detailed and included alternate progress paths for various individuals.

Discussion indicated that this type of inventory was used for: (1) spotting problem areas which have either too many or too few promotable executives, and (2) plotting the logical progression steps for the particular candidates. The discussions pointed out that this tool also is only as good as its input, the individual performance appraisals on which it is based. It also is very difficult to keep current.

Application of this tool to a recognition of the impact of obsolescence in two companies involved searching the inventory for all the non-promotables and all those promotable

⁶ Harold Koontz and Cyril O'Donnell, Principles of Management: An Analysis of Managerial Functions (3rd edition; New York: McGraw-Hill Book Company, 1966), p. 443.

Identifying Obsolescence
Management inventory chart



Source: Harold A. Koontz and Cyril O'Donnell, Principles of Management (3rd edition), McGraw-Hill Book Co., 1964, p. 443.

Figure 4-4

only after additional time who had already been in the present position for two or more years. The recent performance appraisals and other personnel folder information of these men then could be examined for other evidence of obsolescence. Interviews might be conducted in some cases. It was emphasized that qualified personnel executives had to conduct this investigation with any required assistance from the operating executives. As in all undertakings of this type, professional competence was essential and proper safeguards had to be established to prevent the search from turning into a 'witch hunt'. The intent had to be to help not harm, and this had to be clearly demonstrated. This process was one basis for necessary remedial measures in these companies. The sensitive nature of the entire situation was repeatedly referred to by the executives being interviewed.

CHAPTER 5
COMPANY AND EXTRA-COMPANY EFFORTS
TO PREVENT OBSOLESCENCE

Dynamic Development Programs

Avoidance of executive obsolescence was described by an executive being interviewed as the ideal for which a management development effort should strive. The cost involved in identifying and attempting to correct obsolescence can largely be avoided by not permitting obsolescence to occur. The potentially far greater cost, that of having ineffective executive performance with the resulting loss to the individual, the company, the industry, and the economy also may be avoided. This ideal, of course, is very difficult to achieve. The factor which is causing much of the obsolescence in the executive ranks, the dynamic nature of technological and social change, makes it impossible for any static development effort, however effective when conceived, to remain effective. Almost all of the respondents indicated that their development efforts were fluid and were being continuously changed in an effort to achieve greater success. Respondents emphasized that development programs had to be dynamic and be

entirely current. Eighty percent of the executives who were asked if they believed that executive development is more important now than it was in the past responded affirmatively. The same proportion indicated that their development programs had undergone recent change in both content and emphasis to make them more effective. There was a wide variety of responses to a question concerning why development was now felt to be more important. Factors cited included: Recent company diversification; organization complexity; changes in product line or organization; method of operation and other factors; geographical dispersion of the company's divisions; increased competition; shortage of competent executives; and pressure from the executives themselves. The last point seems to be especially significant.

Responding to a question concerning their satisfaction with the results of their present development program nineteen of twenty-three executives replied negatively. Responding to questions concerning how these results were measured twenty-three executives being interviewed provided a wide variety of factors. Three of the most frequently cited ones were: having executives ready for promotion when the opportunity occurred, voluntary participation by the company executives in the development program, and performance improvements noted during appraisal. Significantly, eighteen of

twenty executives who answered this question said their development programs contained specific provisions to combat obsolescence. A larger sample involving forty respondents was made of some of these factors using a structured question: What steps are you taking to avoid obsolescence? Seven factors were provided from which the respondents were to select those of significance in their companies. The responses are as follow:

- continuing education (formal or informal). 87%
- avoiding over-specialization. 27%
- executive rotation, promotion, demotion. 72%
- periodic review and development sessions 72%
- encouraging personal goals. 67%
- setting up a team operation which deemphasizes
functionalism. 37%
- company sponsored medical checkup and correction program 40%

Some respondents pointed to the performance appraisal as their problem area. Appraisals avoided entirely, or poorly and hastily done, or not properly evaluated constituted a part of the problem. Inability, inertia or indifference on the part of executives to take necessary corrective actions involving their subordinates was another factor. It was stated that situations involving executive obsolescence rarely correct themselves, but become increasingly worse. Permitting a subordinate executive to continue doing an

ineffective job because of misplaced loyalty or deference to his previous accomplishments also was cited as a poor management practice.

Some of the executives interviewed believed that in the case of executive obsolescence, attack is the best defense. Employment of the various development techniques and a constant striving for better techniques to avoid problem executives were advocated instead of attempting to correct problems after they occurred. The executive's own attitude was described as being just as critical in avoiding obsolescence as it was in making corrective measures effective. References were made repeatedly to efforts at honest self-appraisal and self-help; the willingness by the individual to put the time and effort into study courses; to reading of current literature; keeping an open mind with regard to development efforts; and especially to a healthy outlook on technologically induced changes. It was stated that obsolescence is not necessarily associated with any specific age group, but is a sort of ratio of ability possessed to ability required which may occur at any age or executive level. To be sufficiently dynamic a development program would necessarily have to recognize and satisfy the everchanging needs of all the company's executives at all levels and ages. It would also have to look beyond the immediate situation and provide the means for

making the individual useful in the future.

A composite based on these interviews provided these objectives of an executive development program:

- (1) have all executives at all levels capable of effective performance in their present positions;
- (2) have a sufficient pool of capable executive talent available for increased responsibility so that they can be promoted when attrition, retirement, expansion and so forth, create openings;
- (3) lay a groundwork of development of executive skills which will be needed in the long range future (5 to 10 years) insofar as these needs can be envisioned;
- (4) continually advance all executives in responsibility and capability so that their full potential is achieved as nearly as possible.

These objectives might best be served by thinking of development as having two objectives which should be furthered simultaneously:

- (1) having all positions capably filled;
- (2) having all executives sufficiently challenged by their current assignment.

These aspects could be appreciated separately but with less than optimum results. For example, any program which

concentrates on keeping each position filled with the most capable candidate may result in some spots being overfilled. This situation can occur when a man is kept in a position he has outgrown in capability because he is the best man for the job or because the company needs him there. This was described as a conservative approach to staffing. It could be justified in some cases. If carried to the extreme, however, it could result in heavy attrition due to sheer lack of challenge or to the beginning of obsolescence because of loss of interest. The other aspect, that of keeping all executives challenged also may be overdone. There is usually a certain amount of lost motion and confusion whenever an executive shift is made. The executive musical chairs meeting in which a group of executives entered with each holding a certain assignment and left with each holding a different assignment necessitates an adjustment period. This usually results in a widening circle of disturbance as each man goes to his new command and installs some changes he believes desirable. Repetition of this kind of action in a haphazard or poorly planned manner could keep any organization in constant turmoil. A middle ground is desirable in which individuals are advanced as rapidly as they are capable of moving consistent with sufficient stability for efficient functioning of the organizations involved. Unfortunately, there is no hard and fast rule to

guide the director of executive development in steering this desired course. A logical first step, however, might be a company-wide executive audit, discussed elsewhere in this research report. The approach to development being considered here requires a company-wide outlook. Only when the entire structure of executive positions available and the full slate of candidates is known in detail can the necessary planning be done.

The possession of the knowledge and the clearly-defined authority to proceed on a company-wide program of matching skills to jobs and providing a full scope of development tools to all levels of the executive hierarchy is obviously an ideal situation. In several companies the executives responsible appeared to have evolved such an ideal program and to have chosen the individuals to direct it. The major petroleum refiners at which interviews were conducted appeared to be in this category. Other companies were not as well organized in this area, several appearing not to have either collected the knowledge of the available executive talent or to have the top management approval required to make such a program work effectively. The inability of personnel executives to take the initiative in bringing development to line executives, who seemed to require it but had not volunteered for such a program, ranked high in the problem spectrum. It is significant that in a large number of the cases of obsolescence

discussed the individuals involved refused to accept development.

Discussion with several of these respondents who had active development efforts underway indicated that the following elements had been included:

- 1) Work Planning Seminars which were designed to emphasize planning, organizing and control of work by all management and professional personnel. These included a consideration of budgets and financial data as well as all aspects of personnel practices.
- 2) After Hours Education Program - a formal program of company sponsored courses was offered on company premises after the regular working hours. The literature describing this program should provide a detailed description of college and trade and vocational study opportunities for the employees in the area. Paid full-time study was being provided in some special cases.
- 3) Discussions - company sponsored and staffed planned discussions on a variety of management topics were offered when required.
- 4) Special Courses - these were short courses covering topics of particular interest to the company and were being provided as needed. For example, 'How to make effective performance appraisals' and 'How to delegate

effectively' were two titles.

- 5) Suggested Reading Material - A listing of the current publications of interest to executives of the company was made available to be recommended during appraisals.

The foregoing composite example of an Executive Development Program was based on practices observed at the Control Data Corporation; The Glidden Company; Honeywell, Incorporated; Martin Company, Orlando Division; Standard Oil of Ohio and others. Some difficulty was encountered in determining the number of executives involved in these programs for two reasons: (1) several respondents indicated that they tailored development to individual needs and could not speak meaningfully of numbers involved since they were constantly changing, (2) some difficulty was encountered because of differing definitions of 'executive' among the individuals who provided the information during this investigation. Some respondents indicated involvement of from five to ten very high level men in their programs. Others spoke of a general program involving all of the men above a certain level or all the 'exempt' personnel. In about fifty percent of the cases less than one hundred executives were said to be included. In some cases, such as: Humble Oil Corporation; Northrop Corporation; North American Aviation Corporation; Standard Oil Company of

California; Standard Oil Company of Ohio; and ITT World Communications, several hundred executives were said to be involved. The reason for these programs from the company standpoint was to provide the tools for continuing improvement and enlargement of executive capability ready at hand. The cost of the program should be weighed against the possible cost of not having it, reduced executive capability and performance.

The Role of the Colleges and Universities

In interviewing individuals responsible for keeping executives currently capable several basic ideas emerged. One of these was that the company and the individual no longer can afford to rely on experience or on-the-job methods alone for manager development. The situation in most companies was described as too dynamic to permit this. Another idea often expressed was that the resources of the individual firm must be supplemented by trade associations, seminar attendance, and college programs. There is a continuing process of learning through experience in business as in all aspects of life but the pace in the business world has accelerated to the point where on-the-job learning must now be supplemented by other methods. This is why the company can no longer afford to wait for its executives to learn by doing, or be following

the methods developed by other firms. Some formal effort is required such as the dynamic development described above. In addition to such company programs individuals in the companies involved in this research said they were looking increasingly to the colleges and universities to provide assistance.

The universities were thought of as being able to provide business education in several different areas:

- (1) Undergraduate programs;
- (2) Graduate programs;
- (3) Executive booster programs;
- (4) Seminars and other special purpose programs.

The Undergraduate Preparation

Undergraduate business education is of importance to the potential executive because it must provide the basic knowledge of business methods with which he begins his career. This is true also of undergraduate preparation in the sciences, engineering, law and the behavioral sciences for future executives who enter a business career via these fields of study. But the undergraduate preparation, whatever its nature, must also lay the basic foundation for the required, continual broadening of knowledge which all executives must accomplish as they advance to more responsible positions. Thinking of executive obsolescence as the failure of executives

to achieve their full potential of development invites speculation on what contribution the business college may have made to the problem. There may not have been enough consideration given in the business curriculum to preparing the candidate to recognize and accept the need to continue to learn and develop after his formal education has ended. Dr. George E. Manners, Dean of the School of Business Administration at Georgia State College, stated:

No segment of American higher education has been praised and criticized more thoroughly than education in business schools. It is my reasoned opinion that, with perspective, both elements are warranted; for business schools are expanding their objectives, broadening their curricula, introducing new concepts and techniques--and organizing themselves better. Business schools are searching for new and better ways to develop administrators and leaders--men and women with a sound grasp of values and with some mastery of the techniques of achieving organizational objectives consistent with the liberation of the personalities of the members of the organization. Thus, this historic liberal objective has passed into the responsibility of business schools, as society increasingly requires administrators who guide organizations of ever increasing size.¹

A more useful device for educating the potential executive is indicated if the elements which sometimes were lacking in business education now are being considered and included. This involves both new curriculums and new methods of providing the education itself. Examples of these two approaches have

¹"The Dynamic Thrust of the Business Schools," Atlanta Economic Review, Vol. XVII, No. 3, p. 2.

been given in the literature.

Dr. J. Phillip Wernette of the University of Michigan has described an example of a proposed new curriculum.

The Typical Curriculum

For the most part, the curriculum--the arrangement of topics--is fairly standardized. A typical curriculum includes introductory courses and advanced courses, general courses and specialized courses, in these fields: Accounting, business, law, finance, marketing, personnel, production, and statistics. It is a traditional curriculum.

It is not an unreasonable curriculum and the best programs are first-rate.

PLANNING A NEW CURRICULUM

Nevertheless, I fell to wondering what kind of curriculum might be designed if one were starting from scratch, without taking account of the existing pattern.

I started planning this curriculum by reviewing the functions of the executive and the qualities that help a man to perform these functions well. I then asked: What kind of studies would develop these qualities and facilitate the performance of these functions?

One conclusion emerged quickly. The present traditional curriculum is not primarily oriented toward administration per se; it is primarily oriented toward educating staff men.

Further reflection led to the curriculum presented herewith. It is, of course, not entirely new. Elements of it are to be found in many existing courses.

It is different, however, in that this program is specifically oriented toward developing executive ability --in managing a group of persons--as distinguished from activities that a man may do alone, such as making a statistical, accounting, financial, time study, or marketing analysis. Persons who are not members of the executive team, such as staff specialists who interview job applicants or sell to customers, would also be omitted from this program.

This is a broad program of advanced studies for mature students. It is rigorous, stimulating, and intellectually demanding.

The general objectives of this program are these: to provide a broad understanding of the nature of business and its role in our society; to enlarge the student's competence in the basic qualities that are helpful in business management; and to provide a life-long stimulus to self-propelled personal improvement.²

Dr. Wernette's major topic areas are: Business Organization and Operation; Society, Government and Business; Change and Innovation; Reporting and Analysis; Problem Analysis; and Executive Administration.

As Dr. Wernette states, his curriculum concept is designed to develop the qualities which may tend to make a successful executive. It is greatly removed from the type of program which stresses a certain amount of preparation in each of several compartmentalized areas, and infrequently, if ever, gets around to focusing on relationships among them or changes taking place within them. In fact the most striking feature of Dr. Wernette's proposal is its dynamic nature. In examining the curriculum one finds repeated reference to change, innovation, creativity, research, and development. He indicates that high quality textbooks oriented toward the approach he is suggesting may not exist. These would have to

²"A New Curriculum for Business Administration," Collegiate News and Views, May, 1967, pp. 23, 24.

be written by the professor who undertook to teach within this type of curriculum. Some portions of this program may not be suitable for textbook application at all. The professor might want to use current notes which he could update continuously.

An even freer approach to new-method business instruction which has 'thrown away the book', so to speak, is being tried out by Dr. Jay W. Forrester at Massachusetts Institute of Technology.

A select group of undergraduates at Massachusetts Institute of Technology, working for their Bachelor of Science in Industrial Management degree, literally are designing their own education. It's all part of a bold, experimental move by MIT's Sloan School of Management to improve its curriculum and help alleviate harsh criticism that has been leveled at business courses in general at the undergraduate level.

Most colleges and universities have tried to improve business education by working from within existing structures, eliminating unimportant courses, adding classes in other areas, and trying to upgrade faculties. But in its new program, MIT has junked this approach. Formal classes--in management, marketing, economics, and statistics, for example--have been displaced by loosely defined blocks of time that students use as they fit for research projects.

One Whole. The new program is heavily committed to a system approach--forcing attention on an organization as a whole, not as a series of unrelated parts. This philosophy runs through the entire program, even down to simulating business systems by computer.

About 15% of upperclass management undergraduates have been accepted for experiment; the balance still attend conventional classes. The experimental group continues to take formal courses in the humanities and electives,

but also gets a series of general management projects to handle.

Before starting the program, the group learns the advanced mathematics of systems dynamics, and is expected to read all basic texts (management, marketing, accounting, and production) used in regular undergraduate programs. The group then undertakes a series of systems projects--creating laboratory models of business systems, giving written and oral reports on its findings. Students hold weekly conferences with faculty advisors, and ultimately check the simulated models against actual business situations.

MIT hopes the continuing two-year program will produce graduates versed in the philosophy of business, instead of graduates crammed only with facts.

Open door. The key to the program, aimed for the mature undergraduate, is to force students to design their own education. In so doing, students get a great deal of latitude. Officially, the program counts as three formal courses--nine hours per week--but the students allot the time themselves. They decide how they will tackle projects, what kinds of information to gather, how to go about getting it, and which faculty members to consult. They may arrange seminars with any of MIT's senior faculty, and pull in outside speakers from industry. . . .

Idea man. Much of the credit for the program goes to Jay W. Forrester, an MIT professor of industrial management who heads the program's advisory committee. An electrical engineer with a heavy background in development of high-speed digital computers, Forrester calls the philosophy that MIT is trying to instill in these students 'industrial dynamics'.

Industrial dynamics, essentially, holds that business is made up of many involved, but hard-to-recognize, relationships that feed on each other and affect the entire system. Companies are not, Forrester insists, a series of unchanging, only partially related departments.

And by studying the known habits and practices of a company as a single entity, trouble areas that otherwise might go unnoticed can be spotted more easily. With the help of a computer, the involved pressures and relationships can be examined, changes simulated, and wide swings

in company activity--such as production, inventory, or hiring--can be flattened out.³

The reader of this research report who has had large corporation employment will find much that is familiar in the MIT program. What Dr. Forrester has done is to bring the industrial 'Task Team' approach into the classroom. The Task Team is composed of men taken from their regular assignments and given a particular problem to solve. Within broad limits they may seek the solution in a variety of ways and draw upon other talent and resources as desired. On the job one frequently heard remarks from recent graduates that nothing learned in college prepared them for their actual work. If Dr. Forrester's approach is adopted to any extent this may no longer be true.

As important as these new approaches may be in the present, since they appear to have the possibility of cutting down the break-in period for newly hired graduates, they may be even more important in the future. The new curriculum approach proposed by Dr. Wernette which stresses dynamics in course content and the new methods approach of Dr. Forrester both seem to offer the possibility of preventing future obsolescence. It is difficult to imagine the student failing to continue to read, discuss and keep informed after graduating from either school. The most important factor, however, seems to be that

³"At MIT Students Are the Boss," Business Week, January 23, 1965, pp. 82, 86.

both approaches stress method rather than the gathering of facts which are subject to rapid obsolescence.

Writing about advanced study, Dr. Manners of Georgia State College remarked upon

The rapid improvement of programs at the doctorate level, so that the new holders of the doctorate in business (either the PhD. or the D.B.A.) do indeed represent the 'new breed' of professor-consultant-researcher. This process in itself augurs well for the continued upward evolution of business schools. Future graduates of business schools can be expected to function as leaders, researchers, and administrators in business, government, institutions, the armed forces--precisely because they are trained to function in the modern age with a mastery of the concept of administration and its necessary tools and controls.⁴

Respondents believed that college study is not suitable for everyone. The time and energy which must be invested can only be justified when the individual can be expected: (1) to successfully complete the requirements which are extremely demanding and growing more so, and (2) to use the additional capability to good advantage. For such individuals a carefully selected MA or MBA program supplemented by a continuing series of seminars and special courses was suggested by the respondents as offering a satisfactory pattern of development at far less cost. One popular combination in the past has been the engineering undergraduate degree supplemented by the MBA with finance, management, or accounting as the major field.

⁴"The Dynamic Thrust of the Business Schools," The Atlanta Economic Review, Vol. XVII, No. 3, p. 3.

Executive booster programs such as the well-recognized Harvard program and the Columbia University program have provided a popular finishing process for men transitioning from middle to top management. These and others less well-known had been used by the executives interviewed to provide intensive development. It is significant that many of these executives mentioned this possibility when obsolescence was being discussed. The particular advantages to these intensive development efforts were believed to include the high caliber of the teaching faculty, the cross fertilization of ideas among the executives attending, and the conservation of the executive's time, since they are usually of short duration. Some evidence has appeared in the recent literature, however, questioning whether the short seminar can provide sufficient exposure to the required additional knowledge.

The day is passing when a mere 13-week refresher course at a university puts a company executive back in mental shape for the second half of his career. . . skills and knowledge will go out of date every few years unless refreshed with additional schooling, special course, in-plant retraining, intensive reading as well as formal study carried on at an university during year long sabbaticals.⁵

Mr. L. J. Weigle has made the following prediction,

It is unlikely that future executives can spend 15 years in school and expect this knowledge to carry them through a working career of 25 to 40 years. Prospectively it is

⁵"The Frantic Future," Nation's Business, August, 1968, p. 33.

not unimaginable that careers will be interspersed with education and shortened by changes in an individual's level of responsibilities.⁶

Additional support for Mr. Weigle's belief that the working executive will have to intersperse his working career with periods of education is provided by Mr. M. J. Rathbone. Mr. Rathbone, now retired, was Chairman of the Board and Chief Executive Officer of the Standard Oil Corporation of New Jersey when he made the following remarks at Pace College in New York City:

Education cannot stop with the granting of a diploma. It is, rather, a life-long process. The manager must learn on the job, translate what he learns into practice, and must free himself from automatic adherence to 'the way we have always done it'.

Returning to the campus for formal academic training will become as necessary as investment in plant and equipment. Support by the academic community will have to be balanced by contributions to education by business. These contributions will mean not only direct financial support, but will include exchange of ideas, participation in conferences, and suggestions for curriculum improvements.

Education centers in turn must present a realistic, unbiased picture of the business work to the student: its challenges, rewards, opportunities, and obstacles.⁷

The positions taken by these two top-level executives are strikingly similar. Both see a recycle process taking the working executive back to some type of formal education

⁶Weigle, "Executive Obsolescence. . .," op. cit., pp. 6, 7.

⁷M. J. Rathbone, "What Kind of Managers for Tomorrow's World?" Atlanta Economic Review, April, 1967, p. 22.

to rehabilitate his perspective and his capabilities. Dr. J. Philip Wernette of the University of Michigan also has described the extension of education for individuals already employed. "Education programs for men who already are executives are carried on in some business firms and in some university schools of business administration, in special programs, separate from those for undergraduate and graduate students."⁸ The statements made by these men are typical of the line of thought running through much of the literature today. Many authors, both academic and industrial, are advocating a regular program of revitalization of knowledge both for the general executive and the specialist. These programs are to be sponsored by industry and carried out either on company premises or at the colleges and universities. Throughout the literature there has been a current of comment stressing the need for expanded Business-Academic cooperation and shared responsibility in preventing obsolescence and other problems.

The particular forms that Business-Academic cooperation should take has been set forth by the Committee for Economic Development in a report published in October 1964. In it both businessmen and educators are charged with an active role.

1. We consider it the mutual responsibility of business and educational institutions to further the continuing

⁸ "A New Curriculum for Business Administration," . . .
op. cit., p. 23.

education through life of persons pursuing business careers.

2. Greater efforts must be made to solve the critical problem of how to develop managerial ability and the quality of leadership; educators and businessmen should work together to find better answers to this problem.
3. Business should help attract outstanding young people to business education by providing scholarships and fellowships that recognize and reward students showing unusual promise.
4. Research in graduate schools of business should receive strong emphasis and support. . . . Business organizations should recognize that their own long-run interests are served by helping the business schools to develop and disseminate important new knowledge.
5. To do the job that needs to be done the business schools will need more financial help, and whenever they demonstrate that they deserve it business organizations should give such schools strong support and not necessarily confined to the best-known institutions. Then it was pointed out that in 1962-1963 of 900 million dollars given in support of higher education only 1.7% was devoted to business schools.⁹

The idea of continuing education presented by Mr. Weigle, Mr. Rathbone, and Dr. Wernette is stressed again in item one of the Committee for Economic Development's statement and it is made a mutual responsibility. The elusive and all important search for the correlation between educational approach and job success is the focus of item two. Again the responsibility is mutual. A revised curriculum approach to

⁹ R. F. Patterson, "Cooperation Required in Planning for the Education of Tomorrow's Business Leaders," Collegiate News and Views, October, 1965, p. 5.

this problem was discussed earlier in this chapter. The remainder of the points deal with different approaches to business support of the educational program in order to assure quality and stability of the programs. Dr. R. F. Patterson, Dean, School of Business at the University of South Dakota, has stated the prospects in positive terms.

No segment of higher education must be more concerned with its responsibility in the training of tomorrow's business leaders than the schools of business, and in particular, those which are members of the American Association of Collegiate Schools of Business. This is of equal concern to the entire business community.

The great opportunity we have is that the business community and the business schools have a powerful and potential affinity of interests and objectives as we look forward to common needs and common goals in the uncertainties and the demands of a changing future. The business community has the inescapable and all-pervasive responsibility of production, distribution and management on a world-wide front. Never in business history has the character, the capacity, and the quality of management been more at a premium.¹⁰

In summary at this point it can be stated that a considerable support was found in the statements of business leaders and educational spokesmen for increased cooperation between their respective institutions. This agreed with feelings expressed during the interviews conducted as part of this investigation. This cooperation and mutuality of effort is seen as necessary to produce and maintain the kind of

¹⁰ Ibid., p. 1.

qualified persons necessary to fill the executive ranks. Mr. M. J. Rathbone has placed this cooperative effort in perspective in the following statement:

What do these (of the expanding future) expectations imply for the education of future business managers: Holders of business degrees are, of course, an important portion of the professional recruits hired annually by major firms. But even a good business school does not graduate business managers. It can only graduate people with a foundation of understanding of the business world who can become managers--if they have the necessary personal characteristics.

To the old argument between breadth and depth--between so-called 'general' and 'specialized' education--there is no final answer. Specialization will always be with us. But the specialist who learns nothing about allied fields or peripheral problems is not likely to go far. Every speciality should be built on a broad foundation.

Breadth of training is even more vital for the future manager. Particularly at higher levels, a manager has no time to be an expert on anything; but he must be able to understand and appraise what the experts tell him and weld all the technologies and personalities into an organized program.

Enduring fundamentals, then, must form the future manager's education--including mathematics, the basic sciences, and techniques of business management, rounded out by a thoughtful interest in social studies, history, economics, politics, and literature. The study of the human environment should include the older and more complex societies, because the manager will be increasingly involved in world activities.¹¹

The executive is seen here as continuing to expand both his specific capabilities and his perspective of generalized

¹¹ Rathbone, op. cit., p. 18.

knowledge through the mutual efforts of business and educational institutions. From the standpoint of obsolescence this is a preventive measure.

There was a ninety percent acceptance among the executives providing information for this investigation of continuing education as a means of combatting obsolescence. The effectiveness of internal company educational programs may be questioned, however, from the standpoint of the qualifications of those who are directing them.

It was reported from a survey of 600 organizations that 9 percent of those who had the principal responsibility for planning, organizing, and directing training activities had no degree; 36 percent had a bachelor's degree; and 55 percent had a master's degree. The second level of individual on the training staff was reported in 77 percent of the cases to have no more than a bachelor's degree. The nature of the areas of specialization of degree holders varied over a wide range of subject matter Many of those who have not had advanced formal education holding training positions have had opportunity to develop their competency in this field, however, through professional associations and other advanced training programs.

Nevertheless, the wide range of activity encompassed in the broad program of adult education within business and industry presents real problems in finding individuals whose educational background and experience qualifies them to manage such a program.¹²

It was emphasized, however, that successful efforts to re-educate the executive required additional capabilities over

¹² Malcom S. Knowles, Handbook of Adult Education in the United States (U. S. A.: Adult Education Association of the U. S. A., 1960), p. 201.

and above the academic qualification. Respondents indicated that a considerable degree of understanding of the executive's job, of the particular organization, and of the local problem areas also was desirable.

The ability to tailor the material presented to these local conditions also was desirable. This degree of flexibility had been criticized because it makes evaluation of these programs and comparisons among them difficult, if not impossible.

There is little uniformity in the programs carried on in different companies which have, of course, grown and developed primarily in response to needs as seen by specific organizations. Not much has been done to date in the standardization of program content and teaching methods and techniques. At the same time the question of the relationships between the programs of outside organizations and the programs of individual firms has not been clarified. There is without a doubt considerable overlap and duplication in the activities carried on by these different organizations.¹³

Adult education carried on in the universities which these executives could attend has also been criticized. The following problems were cited:

The first and most widespread problem is the fact that adult education is still considered a peripheral and possibly expandable aspect of the university or college program. . . .

A second problem, and one which may become more serious during the next five years, results from increasing demands

¹³ibid., p. 201.

on faculties, space, and money as daytime enrollments rise. Evening colleges have greater difficulties in attracting top campus faculty, in securing adequate space for classes, and in sharing in the college budget. . . .

A third problem, which both underscores the existing administrative and faculty attitudes toward adult education and also hampers expansion, is the lack of endowment or government subsidy for adult education. . . .

A fourth problem, and one related to growth-patterns of the evening college and extension organizations, is that many have considerable autonomy without achieving an accompanying integration into the university complex. Therefore, both administrative officers and faculty members look upon the adult education activities as separate and distinct which in time of pressure or financial crisis can be easily dispensed with. . . .

A fifth problem relates to the fact that some adult courses are not clearly appropriate for a college or university; there has been insufficient examination of what constitutes 'university-level'. A difficulty involved here is that many of the less impeccable courses academically nonetheless cost very little and bring assured income, an attractive situation for the pay-as-you-go evening operation. . . .

The sixth and seventh problems are so closely related that we must examine them together: First, there is no clear-cut statement of goals and directions for higher adult education developed by the field itself; and second, the public has no clear-cut image of what adult education can offer to their personal and social welfare.¹⁴

This source does describe various remedial measures now underway but succeeds in leaving the impression that there is a wide quality gap between these programs and the regular full-time day programs. This is in sharp contrast to the ready

¹⁴Ibid., pp. 214, 215, 216.

acceptance which evening, college-level study seemed to have among the executives interviewed during this research.

CHAPTER 6
COMPANY AND EXTRA-COMPANY EFFORTS TO
SALVAGE THE OBSOLETE EXECUTIVE

If we think of obsolescence as the inability of an executive to keep himself current and effective on a broad front of performance requirements, an alternative to complete loss of his services which his company's executives have available is the possibility of narrowing the area in which he must perform. Numerous possibilities to accomplish this were investigated, such as: (1) redirecting his efforts, (2) redevelopment, possibly with different skills being emphasized, (3) transfer or relocation, either within the company or to another company, and (4) 'featherbedding', a move to a specially created position. A final alternative which is resorted to is termination. This removes the problem from the company perspective and makes it a social or extra-company problem.

Extra-company efforts to salvage the individual after his release by the company which were discussed during the research interviews included the following: (1) consulting either as a member of a consulting firm or in the Small Business Administration's SCORE Program and (2) application of

the individual's 'know-how' to community problems. These alternatives are discussed below with emphasis being given to actual individual cases which were discussed during the research interviews.

Redirection and Redevelopment, and Featherbedding

Redirection of executives was recognized as a method of attempting to correct obsolescence by over sixty percent of the respondents who were included in this investigation. Subsequent discussion with them indicated that this concept had a dual meaning. By redirection they were indicating a renewed effort at direction, "getting employees to accomplish their tasks"¹, for which remotivating might be a synonym. A second implication was redirection in its popular usage, a change in the direction or goals of the executive in question. Another way of expressing this might be--establishing different (and usually reduced) objectives.

Redevelopment in discussion proved to have only one meaning: The strengthening and increasing of some of the executive's abilities and skills not previously developed. However, the methods to be employed differed widely and were spoken of as having to be tailored to each situation. Seventy-five

¹ Harold A. Koontz, and Cyril O'Donnell, Principles of Management (3rd edition; New York: McGraw-Hill Book Co., 1964), p. 473.

percent (thirty individuals of the forty investigated) selected this method as one attempt to correct obsolescence.

In practice it became impossible to differentiate between redirection and redevelopment efforts during the interviews while discussing specific individuals. The ideas tended to run together since discussion of efforts to redirect in the sense of remotivate became involved with attempts to expand or redevelop the executive's skills which were in question. Likewise the idea of redevelopment was almost always involved when redirection, in the sense of change in objectives, was under discussion. For this reason, in the actual cases which were discussed during the interviews and are described below the two ideas appear together.

Case 6 A-1. - This man was in an executive position at an electronics manufacturer. He was brilliant scientifically and generally had a good rapport with other people. His management failure was that he could not make his goals in terms of time and cost budgets. He was given coaching by his peers and a development program specifically oriented toward better control techniques. In addition, he was given certain personal improvement goals to strive for. His performance did improve sufficiently for him to be promoted. He is now performing successfully in the higher position.

Case 6 A-2. - This executive of an aircraft manufacturing company suffered from what the respondent termed 'functional blindness'. He was very successful in material management but was limited to this area. He was switched to a product management position for development. No specific preparatory development for the move was provided. He learned on-the-job successfully and has significantly improved his potential. He has the possibility of moving up to a vice-presidential position after two or three years of work of his present quality. He is believed to have capability for several vice-presidential positions.

Case 6 A-3. - This executive of an electronics manufacturing company appeared to have all the required abilities for top level management except one. He had too narrow a perspective. He had been in a position where control was the major factor and was basing all his decisions on control considerations. He was shifted from his line position to a staff spot which exposed him to engineering and manufacturing techniques and problems. His perspective was significantly widened. He is now performing well in a key position.

Case 6 A-4. - This man had held a management position in a large company in the aerospace-electronics industry for a number of years. He knew this job well but failed to advance

with the times. His managerial capability was deteriorating. One of the main problems was his failure to develop his subordinates. His shortcomings were pointed out to him and an educational program offering courses, both company and external, was prescribed. He undertook the suggested development program enthusiastically and successfully. He has been retained in his position and is now doing well enough to be rated as promotable.

Case 6 A-5. - This man was at a very high executive level in a major company and had apparently reached the limit of his potential. He was beset by personnel problems and was showing a poor profit performance. He was relieved of his position and given a rather vague assignment involving development of a new product. The other company executives' interest in this product was mixed which made his assignment more difficult. He tackled it with a burst of energy and enthusiasm, employing his technical abilities toward its development and his executive talents toward 'selling' it to the other executives in the company. He has succeeded in convincing management of his own renewed ability along with the merits of the new product.

Case 6 A-6. - In an electronics manufacturing company a

functional, highly specialized executive in the early 60's whose performance was slipping was removed from his normal line responsibility. He was given a new and challenging business development area in which he had to perform without staff and alone. He responded beyond expectations.

The idea of executives occupying a specially created position, one that is tailored to their capabilities and, by implication, perhaps of little importance, has been identified as 'executive featherbedding'. Despite the negative connotations that this concept tended to develop, over thirty-seven percent of the respondents included in this investigation admitted to using this method of correcting executive obsolescence. Correcting in these instances had taken on the meaning of accepting the lesser of two unattractive alternatives. This device was resorted to when an executive was no longer effective and would not or could not be restored to usefulness but also could not be released. Long and useful service followed by a failure to retain the necessary motivation or capability was cited as such a situation. There was a considerable reluctance to release such an individual particularly if he was near retirement age. He was removed from a position where his decreasing effectiveness could injure the company and placed in one of these specially created or 'featherbed' positions. Several cases were discussed in which this action had been taken:

Case 6 A-7. - This executive in his middle 50's was the vice-president in charge of a large technical group within a major division of his company. His performance became unacceptable, primarily in the areas of controlling expenses and performance and 'selling' his programs to top management. He was given an assistant who was strong in his deficiency areas but this did not work out. His group was split along product lines and he was demoted to vice-president of one of them. Although this position was much reduced from his original position this group also deteriorated due to the same problem. He was too well liked and established for outright release and too young for early retirement. He was given a 'featherbed' position tailored to his ability which had no line authority.

Case 6 A-8. - In this chemical manufacturing company some executives were employed who had been shifted from a technical specialty to a management position and were unable to readjust their perspective. There were others who had been regional executives and after being moved to national positions could not expand their perspective sufficiently to become adjusted. Efforts to help them having failed in these cases, they were given 'tailored' positions in which they could perform with some value to the company.

Case 6 A-9. - This man had been a functional supervisor for a communications company for a period of years. He was upgraded to a middle management position. He never became a good manager. He could not assume a middle management perspective, particularly in the areas of planning and direction. Various methods were tried to assist him, such as counselling and seminars both company and external. He did not respond as required and finally was moved to another position of less responsibility while retaining his title.

Case 6 A-10. - This man is at the vice-president level of a company in the electronics manufacturing industry. He just gets by in his function to the recent changes in technology and management philosophy. His authority has been reduced pending retirement which is planned for the near future.

Transfer and Relocation, and Termination

As a method of dealing with obsolescence, transfer and relocation were used by sixty-five percent of the executives interviewed. These terms have a slightly different meaning. Transfer frequently is thought of as: Assignment to a different group or department. Relocation is customarily given the meaning of: Physical movement to a different place. While they do not necessarily have to occur together, several respondents indicated that they usually do. In the cases

discussed the changes were stated in terms of change in position but some respondents indicated that relocation usually was implied also.

Case 6 B-1. - This company in the electronics manufacturing industry has continued an executive's career successfully by transfer to a less demanding position. The man adapted well, accepting the trade-off of a somewhat less desirable type of work coupled with performance requirements more comensurate with his capabilities. Several other executives have been similarly readjusted.

Case 6 B-2. - This man held a high level technical position of great importance to the electronics firm for which he worked. A sudden major shift in emphasis within the firm caused his technical field to lose its position of importance and another to take its place. He was unable to adjust to this change and was shifted to a lesser position. He did not adapt successfully there or in several other progressively lesser positions having successively less responsibility. Management in the company finally concluded that he had neither the desire nor the ability to adjust to the new situation. Since he was within the age bracket for early retirement, this step was taken.

Case 6 B-3. - This executive was in an aerospace hardware manufacturing firm. He was in his late 50's. He had a very rapid rise based on his initiative, although he was lacking in formal education. He characterized himself as a 'self-made' man and would not accept advice concerning remedial methods to increase his capability. When his deficiencies became too extensive he was demoted to a lower position with a substantial decrease in compensation. He was showing no indication of recognizing that he has some deficiencies which need correction at the time this interview was conducted at his company.

Case 6 B-4. - This executive in an aerospace manufacturing company was restored to more effective performance by demotion. He had been warned that his performance was unsatisfactory and had failed to improve. Subsequently he had been demoted to a position of less responsibility and less compensation. His problem was inability to delegate effectively and it hampered him severely in his higher position. In the lesser job he was more adequate.

Termination was considered a last-resort alternative by some respondents: A logical immediate step, given certain conditions, by others. Significantly executives in fifty-seven percent of the companies investigated admitted to having terminated obsolete executives. Significant also, however, in

almost all cases discussed one or more other alternatives such as redevelopment, transfer, provision of assistants with special skills and other factors were tried prior to termination. A large number of cases were discussed. The following were believed to be representative:

Case 6 B-5. - This man was an executive of a petroleum company. He had not stayed technically current in his field. He was counselled, urged to improve, but did not respond. He was shifted to a lesser position (demoted) in the belief that this decrease in responsibility would give him the incentive and the time to become technically rehabilitated. This man just continued to lose effectiveness and was terminated. The company had used this technique successfully in other cases.

Case 6 B-6. - In his late 50's this director at an aircraft manufacturing firm had insufficient education for his position. He had empathy with people but was relatively unqualified technically. Because of this he avoided or delayed making technical decisions. Technically-oriented assistants were provided in an effort to strengthen him but this failed. He continued to procrastinate and failed to take an aggressive posture as expected. He was released.

Case 6 B-7. - This executive at an aerospace manufacturer was at department head level. He was suffering an unacceptably

high attrition rate. Both subordinate executives and skilled production people were leaving his department because of various dissatisfactions. An effort was made to rehabilitate the man but his performance in this area did not improve. He was released.

Case 6 B-8. - This petroleum company had among its executive ranks several individuals who were technically excellent, capable and inventive. They had unchallenged ability but could not get along with others. These men had no empathy with other people. The executive being interviewed believed that they could not be used in supervisory or group situations. Company officials responsible had tried various measures to overcome their problems but were unsuccessful. The belief was that they had to be kept isolated and if this became impossible, they would be terminated.

Consulting

Discussion of company-centered efforts to salvage obsolete executives by a variety of methods resulted in several cases in a discussion of application of the individuals' remaining capabilities outside the company. One respondent stated that he frequently encouraged executives to affiliate with a consultant firm which specialized in their particular area of competence. Others mentioned this idea as a possibility or

indicated knowledge of a released executive who had made such an affiliation successfully.

Special Consulting Firms

At several companies which were investigated executives discussed an alternative to shifting an obsolete executive to a lesser position within the firm or in another firm. This is the possibility of encouraging him to assume a consulting status. This alternative takes into account the possibility that the individual may have maintained a competitive capability in one or more areas while becoming obsolete in others. Such a person may no longer possess sufficient capability to adequately fill a high level executive position in an active firm. The alternative discussed, shifting such an individual to a lesser job, may permit him to coast in the areas of currently sufficient capability (in effect not using all the ability he has in those areas) while attempting to upgrade his capability in those areas which are contributing to his obsolescence. A man in this position might remain current in the newest applications of social-scientific theory to employee motivation, for example, while completely losing touch with the applications of modeling technique to short and long range planning. What to do with such a man is the question his superior must ask himself. Based on actual cases which were cited during the

investigation a very frequent decision is to downgrade to a lesser position. The alternate of encouraging the individual to assume consulting status, while recognized, apparently had not gained popular acceptance.

The idea of consulting is, of course, not a new one and there are numerous firms in the field. Some of the companies specialize in one or more specific fields of business practice. This type of organization appears to offer an attractive possibility to a man who was well-equipped in some particular aspect of management and sufficiently well grounded generally to permit him to coordinate in a team effort. The other members could be specialized in the other areas.

A parallel for this idea already exists in the form of Experience, Inc., a consulting firm which specializes in the field of agribusiness and agricultural economics. No implication is intended that any member of Experience, Inc. is subject to obsolescence. Quite the opposite appears to be true. Its members are recognized as entirely qualified experts in their own fields. Yet many of the senior members of the firm would be considered unemployable because of their age. The President, Dr. Julius Hendel, is 72, Mr. Oscar B. Jesness is 78 and Mr. Henry E. Schroeder is 68. All have come from long, successful industrial or academic careers. In all, Experience, Inc. has "51 consultants [who] are a blueribbon collection of

retired milling and grain executives and former university deans and department heads, plus younger, active academicians. Two-thirds are retired. Together, they have close to 2,000 years of experience."² These men are doing an outstanding job using their accumulated ability. They are doing it outside of the usual company affiliations. Experience, Inc. is proving that suitable methods exist for executives to continue to be useful after ending their formal careers.

The parallel that may be drawn is that consulting setups developed along specific lines may offer a possibility for continued use of men who are no longer acceptable for full-time executive positions for other reasons, partial obsolescence, for example. This may be considered a method of gradual transfer of the individual's accumulated capability to others. There is less risk on the part of the company using a consulting firm having members with some limitations than the risk of keeping a limited person on the payroll. At the same time, the purpose for which the partially obsolete executive frequently is retained, continued application of his accumulated knowledge could still be served.

²"Learning from Experience, Inc.," Business Week, May 27, 1967, p. 106.

Consulting Under Small Business

Administration Sponsorship

An alternative to consulting as a specialist member of a consulting firm was discussed during one of the interviews is proving attractive to some retired executives. This is consulting under Small Business Administration sponsorship.

With the age of executive retirement inching downward in many companies, some highly regarded organizations are doing their best to put the retired brass back to work.

One of the newest is the Small Business Administration with its SCORE project. For many senior businessmen with the itch to unretire the Service Corps of Retired Executives is custom-made. . . . Most of the volunteers to date are over 60, retired, and pleased with the opportunity to make further use of a lifetime of management experience.³

With regard to this program, when any small businessman applies for a SBA loan, routine practice is to make a sufficient investigation of his business to assure the agency that the loan will be self-liquidating. All too frequently these investigations turn up some serious weak spot in the business which the Small Business Administration feels would make it an unfit candidate for Small Business Administration funds until the problem is corrected.

People who establish small businesses (25 or fewer employees) usually are specialists in some technical or commercial

³"Where Sick Companies Can Turn for Advice," Business Week, August 15, 1964, p. 94.

area. Typical examples would be the highly skilled baker, mechanic, or carpenter who leaves his employer to set up his own store or shop. His skill usually carries the business to a certain degree of success and in many cases additional employees bring added skills into the business and it continues to prosper. In other cases, however, the limitations of the owner's preparation (his own specialization on which the business is founded) causes problems. Some very frequently encountered problem areas are: Poor employee relations, incomplete bookkeeping, and records keeping in general, poor inventory control and lack of planning generally. Many proprietors of small businesses just do not possess the knowledge required to properly staff them or to handle problems related to employment. Others fail to maintain adequate books and records. Not infrequently poor records resulting in excess inventory and questions of uncertainty are factors which motivate the small business owner to ask The Small Business Administration for additional working capital. Under these conditions the loan frequently can not be made because the degree of risk can not be determined. In some cases the problem has developed after a loan has been made and is becoming delinquent. The SCORE program is designed to provide special help for the small businessman in these cases.

The program provides a meaningful outlet for the retired

executive's energy and desire to continue a useful career. The Small Business Administration describes the program in the following manner.

SCORE - SERVICE CORPS OF RETIRED EXECUTIVES

PURPOSE:

Small Business Administration research shows that many retired executives want to do something worthwhile - something creative. Early retirement has made many useful years available to men who have been responsible figures in business and industry. On the other hand, many small businessmen are handicapped because of management deficiencies; some are eager for help and cannot afford professional consultants; others need help but are unable to identify their problem. SBA's SCORE program brings the two together into a workable program.

MISSION OF SCORE:

The mission is to make small businessmen aware of their management needs and to broaden their own areas of competence for successful business management. The services of SCORE volunteers provide management counselling and consulting such as: Accounting, management, marketing, and other phases. It is a means of bringing together retired businessmen eager to perform a public service, and small business concerns in need of help. SCORE does not replace professional consulting in depth - which sometimes is the only ultimate solution - but is an adjunct thereto to help identify problems of management and to recommend courses of action for management's adoption. Often this is the key to successful development and growth.

ELIGIBILITY CRITERIA FOR SCORE SERVICES:

The Small Business Administration focuses the program primarily on businesses with 25 or fewer employees and businesses that cannot afford professional consultants. SCORE counsels with businessmen who have borrowed money through SBA financial assistance, those who obtain loans under the provisions of the Economic Opportunity Act and SBA-Bank participation borrowers if the bank approves. Counselling services are available to any small concern

whether they have an SBA loan or not providing they cannot afford to hire professional consultants.

SERVICE AVAILABLE:

Counseling shall never be forced upon the individual. It is available only with the businessmen's consent and after a signed agreement is executed. The application form which an individual uses to request consulting assignments clearly states this condition.⁴

There is no intention here to imply that any of the SCORE consultants are obsolete executives in any degree. This type of program, however, offers very real possibility for the corporate executive who may not have kept pace on all managerial frontiers but is still current in one or more areas. Some serve as a specialized member of a SCORE team. There were ample indications given during the interviews that early retirement was a favored approach to obsolescence which occurred in the 50 to 65 age bracket. As Mr. L. J. Weigle has observed,

Our shrinking world is rapidly changing the way we do business and accelerating our need for greater knowledge. In my opinion, for the majority of men in the age bracket beyond 50, little can be done with existing executive obsolescence, except to featherbed, relocate, or terminate.⁵

That very final alternative, terminate, washes the corporate hands and obviously must be taken in many cases but it may leave an individual still capable of effective performance if

⁴The explanation of the SCORE program was taken from material provided by Mr. Charles H. Moody of the Jacksonville, Florida Small Business Administration Office.

⁵Weigle, "Executive Obsolescence. . . .", op. cit., p. 7.

properly placed. One possibility of continuing effectiveness for such an individual may be in working with the small businessmen where his skills, too limited for continued corporate application, still may be adequate when measured against small business problems.

Application of Executive Know-how to Community Problems

It has been a longstanding policy in some companies to encourage more or less actively, or at least to not discourage, active community participation by their executives. One serious problem situation arising from this policy was discussed with a respondent. This was an incident in which the executive's loyalty to the company became impaired because of his involvement with community affairs. In the case cited the individual headed a large branch unit in a decentralized location. After some years of extensive community participation he began to place the local economic interests ahead of the corporate objectives.

This researcher's personal experience includes knowledge of incidents where executives became involved in extensive community projects. One executive became president and chief motivating influence in planning and developing a Community Civic Center which was to be financed by voluntary contributions. There was no budget for salaries and very little

enthusiasm during the early period so he was forced to take on all aspects of the project from fund raising to reviewing architectural plans. The project eventually did generate a sufficient amount of community enthusiasm and support to be successful. A handsome, functional building now stands as a monument to this man's efforts. The building and grounds have a total value in excess of a half million dollars and are widely used and self-supporting. During the four years he worked on this community service project his responsibilities in the corporation where he was employed continued to increase. This man was an energetic, resourceful individual who carried all his assignments to a successful conclusion. Had he been released from his corporate responsibilities to devote his full time and energy to the community project one can only speculate as to what might have been accomplished. This man was in no way affected by obsolescence. His capability in community work was so obviously outstanding. However, the possibility was suggested during two of the interviews that men who are finding the corporate going a little difficult and the pace too demanding might find a useful place in community affairs. There is a continuing use of business talent by the various fund raising drives, by churches and clubs which are having building campaigns, by political organizations, and many others. Perhaps the personnel 'volunteered' for these

assignments by the business organizations should be those who need a change of pace and of scene.

It seems likely that business executives will continue to be involved in community activities for these reasons:

- (1) They are generally better educated than their neighbors with the exception, perhaps, of the professionals. But of greater importance, their education is in the areas of most value in organizing and developing community projects such as fund drives, community facilities and other group projects.
- (2) Many executives appear to be motivated to assume these civic duties. Perhaps because they feel a sense of responsibility or are challenged by the particular problems involved.
- (3) They are trained in leadership. It is easier for an executive to make the transfer from directing company function to directing a civic project than it is for someone who is not prepared for management to assume a civic leadership position.
- (4) The community tends to seek out these men. Perhaps the most obvious reason is that they are known and recognized as executives. Their various company activities: Transfers, promotions, sales campaigns, and contract awards are published and associated with their names.

- (5) The fact that an individual has a responsible position in a company tends to recommend him for responsibility in the community.
- (6) Once a civic duty has been successfully accomplished, the individual is a logical choice for other assignments.
- (7) From the community standpoint obtaining high-calibre executive talent (usually on a voluntary basis) is a desirable situation. This makes possible many projects which could not otherwise be attempted because of the cost involved.

The company executive's motivation in this kind of activity is a little more complicated. Respondents speculated that there are at least two motivating influences which create a positive attitude toward community service by company executives:

- (1) The desire to have the subordinate executives exposed to a broader and more varied type of experience than is found on the job and presumably, to then be able to supply this knowledge to their work.
- (2) The desirable influence upon the company image that successful community service by its executives will provide.

Whatever the motives are for the practice of encouraging civic activity, it is an increasing practice, particularly with regard to political activity.

And about 450 big companies now encourage their employees to take part in political activities after working hours, according to Effective Citizens Organization, Inc., a non-profit group in Washington. This is up from about 400 companies a year ago, hardly any a decade ago, the group says.⁶

The growing popularity of executive community involvement makes it possible to suggest this as a possibility for continuing the useful career of the somewhat obsolete individual. This is true especially if his problem is of a technological nature or is based on failing physical stamina. It would not be as practical, of course, in cases where the individual was deficient in his application of current management methods since that is what the community requires in planning, organizing and controlling its civic projects.

The discussion to this point had been centered on voluntary involvement by individual executives in a variety of social and community activities. There is also a possibility of organized company involvement in activities which previously have been considered outside the realm of business. These areas might include: Traffic control, pollution control, or in a wider perspective, conservation of our air and water

⁶Wall Street Journal, March 21, 1967, p. 1.

resources, urban renewal, or again in a wider perspective, entire city planning, and all aspects of employment problems and retraining made necessary by technological advances. A growing awareness may be seen in the literature, particularly the periodicals and the news media, of the potential of organized business and industrial programs in these areas. This investigation provided a certain amount of evidence that such involvement not only is encouraged and desired, but by some executives it is demanded. The recent publicity given to a dispute regarding employment which involved a militant social rights group and a major producer of photographic equipment is a case in point. Going beyond the generally accepted idea that business should provide a necessary product or service, is the feeling that these products and services should be expanded to provide some of the more urgent social needs. This belief would indicate the need to concentrate on the problem areas listed above: Transportation, conservation, housing, employment and updating of skills. Business is said by some to be avoiding its responsibility. Executives possessing human relations skills might be useful here.

One of the serious consequences of avoiding such involvement which business may suffer according to some authors is a failure to recruit the most able young college students. These young people are believed to be aware of these social problems

to be desirous of becoming involved in their solution. If business does not offer this involvement, they will seek out organizations which will, such as the government sponsored programs. This area again suggests itself as a promising possibility for employment of the business executive who may have become somewhat obsolete in certain areas. A man who has not kept current on all fronts involving production technology or new product design, for example, but who has a sufficient background in the social sciences might be used here. Obsolescence has many facets. Some of them may make an individual unsuited to social problem-solving while others may not impair him seriously in this kind of work. At the same time the many years of employment may have provided experience in working with people and the wide perspective necessary for social projects. Early retirement, which was indicated by several respondents as a usual action in cases of technological obsolescence, wastes whatever other talents the individual still possesses. At best, it forces the individual to reapply his remaining talents elsewhere in an unfamiliar environment. Companies desiring to become involved in social problems, such as city planning or conservation of natural resources, may find valuable talents in their executives who are no longer capable of directing the fast-moving, involved, technical programs. Some companies may also desire to become involved in

various programs of developing job skills for those who are unemployable due to lack of applicable skills. Selecting some technologically obsolete executives for these programs could provide a double benefit: (1) executives may be selected who are entirely understanding and sympathetic to the needs of others because they have recognized their own problems and limitations. These individuals may be expected to view skills updating for others as important and necessary and therefore to make every effort toward the success of the projects, (2) the executives themselves may be expected to benefit by being exposed to the literature, training devices and the instructional personnel which will be used in these programs.

CHAPTER 7

CONCLUSION - DISCUSSION OF HOW EFFECTIVELY THE HYPOTHESES
WERE PROVED OR DISPROVED BY THE INVESTIGATION

Executive Obsolescence is a Significant Problem in Business Organizations

Support for the Hypothesis. -

- (1) In eighty-five percent of the organizations investigated executives responsible for executive development recognized obsolescence as a problem.
- (2) Sixty-seven percent of these men stated that they had discussed obsolescence either formally (at professional meetings, for example) or informally (at lunch or during casual meetings) with individuals having positions similar to theirs in other companies.
- (3) Fifty-seven percent of these men said they had read one or more articles or books in which obsolescence was discussed.
- (4) In one hundred percent of these companies investigated executive development programs were underway.

This in itself supports the belief that continuing executive development is necessary. Development may be considered an active effort to prevent 'interruption of development' as obsolescence has been defined during this investigation. Therefore, in all the companies investigated active effort to prevent obsolescence was underway in the form of development programs. Seventy-eight percent of these executive development programs were said to contain specific provisions to combat obsolescence.

- (5) Eighty percent of the executives, who were asked if they felt that executive development is more important now than it was in the past, responded affirmatively. The same proportion of them indicated that their development programs had undergone recent changes in both content and emphasis to make them more effective.
- (6) Sixty percent of these programs involved numbers of executives ranging up to two hundred and fifty. In the very large companies, which included middle managers in development programs, they included as many as several thousand individuals who were receiving some form of development. The willingness

of the responsible executives to continue programs of this magnitude and expense indicates their belief in the importance of preventing obsolescence (and other executive problems).

- (7) Several respondents expressed the belief that responsible executives in their companies had spent and would continue to spend substantial sums to restore certain obsolete executives to effectiveness. In almost all cases at least the cost of replacing the obsolete executive would be invested in an attempt to restore his effectiveness.

Contradiction of this Hypothesis. -

- (1) The forty firms in which the investigation was conducted were not a probability sample, therefore, projection of the observations made there to other firms or to 'business' in general is not possible.

The original mail survey achieved a thirty-three percent response (100 returned of 300 mailed). No statements or provable assumptions may be made regarding the companies which failed to respond. Of the one hundred firms responding, fifty-nine percent agreed to further investigation. The forty firms on which this research report is based were chosen from among these. No statements or provable assumptions may be made.

concerning the other forty-one percent which were not investigated.

Conclusion. - The hypothesis is supported insofar as the companies investigated are concerned. The information obtained can not be projected to business in general except by implication.

Executive Obsolescence is an Important
Problem to Society

Support for this Hypothesis. - This hypothesis may be supported by a process of logical construction as follows:

- (1) Executive obsolescence was found to be a significant problem in the business firms in which this investigation was conducted.
- (2) These firms are social institutions.
- (3) Factors affecting the social institutions affect society. Institutional problems are social problems also.
- (4) Therefore, executive obsolescence is an important problem to society.

The same conclusion may also be reached in the following way:

- (1) Human Capital is the term used to refer to human productive potential.

- (2) Human Capital is increased when the individual develops his abilities to the fullest extent and applies them where they are most productive.
- (3) Conversely, failure by the individual to do this results in less human capital than is possible and this is a social problem.
- (4) The executive is a member of society.
- (5) The effects of his actions are no less important, and, because he influences many others, probably are more important than many other members of society.
- (6) Obsolescence, an interruption in the development of executive capability at some point below its full potential, reflects a failure by the executive to fully develop his human capital.
- (7) Executives in eighty-five percent of the companies in which this investigation was conducted said they recognized obsolescence as a problem in their companies.
- (8) These are major companies employing thousands of executives.
- (9) Therefore, executive obsolescence is an important problem to society.

Conclusion. - This hypothesis may be supported logically but not empirically by the investigation.

Obsolescence can be Discerned and Measured

Support for this Hypothesis. -

- (1) Eighty-five percent of the executives contributing information to this investigation said they recognized obsolescence in their companies.
- (2) Eighty percent of these men had available an executive skills index file which could be used to determine lack of necessary skills and education among their executives.
- (3) Fifty-seven percent of these respondents were using a performance appraisal program by which failure to perform to expected standards on the part of their executives could be observed.
- (4) These respondents discussed over thirty actual cases of obsolescence which they had recognized. Some of these involved several executives.
- (5) Five factors: Use of a profit approach in executive evaluation, review of formal written goals, look for failure to use new methods, compare function or department with similar departments in the company or in competing companies, and compare

present performance with past performance based on appraisal were chosen by from forty to fifty percent of the respondents as methods they used to recognize obsolescence.

- (6) Thirteen factors were recognized as contributing to obsolescence in their companies by these executives. Among these, complacency-satisfaction with present conditions, and organization pressures and complexities, were selected by over fifty percent of them.
- (7) In some of these companies the executives interviewed had prepared or were attempting to prepare a method of measurement of executive obsolescence. Several well-developed methods were found primarily in the petroleum refining companies. A somewhat lesser effort in this regard was encountered in the electronics and communications firms. The aerospace companies seemed to be the least active in this area among the companies included in the interview cycle. Insufficient data was obtained to determine whether the degree of activity in this area correlated either positively or negatively with the caliber of executives in the industry involved.

Contradiction of this Hypothesis. -

- (1) Some executives being interviewed, although expressing interest, had not begun any systematic approach to the problems of obsolescence in their company. It seems likely that the executives permitting an interview would fall into a category exhibiting relatively greater interest and recognition of the problems than those who would not permit a visit to discuss the topic of executive obsolescence. However, no conclusion can be drawn about those which did not respond. Their executive problems and their approach to them are not known as a result of this investigation. It seems unlikely, however, that any company can completely avoid the problem of executive obsolescence since the basic causes: Changes in technology, in methodology, and in social conditions among other things have a widespread impact.
- (2) The problems involved in definition and measurement of obsolescence emerge as some of the outstanding stumbling blocks to its recognition and prevention. This fact did not come as a surprise since it was apparent at the very beginning of the investigation. It was difficult even to create a working definition

of executive obsolescence which had widespread acceptance. A definition was presented to each of the corporate executives interviewed and in some cases they offered various modifications to fit their own thinking.

Conclusion. - This hypothesis is supported insofar as the companies were investigated are concerned. There was a discernible effort underway in most of these companies to recognize obsolescence and cases of obsolescence had been recognized. However, there was an observable difference in the magnitude and refinement of the methods used in these companies.

Business Firms Have Programs to
Prevent Obsolescence

Support for the Hypothesis. -

- (1) One hundred percent of the firms in which this investigation was conducted had executive development programs. Development is a preventive measure since obsolescence has been defined during this investigation as interruption in development.
- (2) Seventy-eight percent of these programs were said to contain specific provisions to combat obsolescence.

- (3) Fifty-seven percent of these executives used performance appraisal programs which provided comparisons of executive progress and also evidence of lack of progress. The latter was felt to be a sign of obsolescence.
- (4) Ninety percent of these executives indicated that a part or all of the cost of college courses taken by the executives would be paid by their employers.
- (5) Seven factors were recognized as steps being taken by the respondents in their programs to avoid obsolescence. Those selected by approximately seventy percent of these executives included: Continuing education (formal and informal), executive rotation, promotion, demotion, periodic review and development sessions, and encouraging personal goals.

Contradiction of the Hypothesis. - The problems involved in definition and measurement of obsolescence do not lend themselves in any easy solution. All of the executives interviewed had not developed a program tailored to their company's needs. Certain basic steps still had to be taken. As a minimum these steps were believed to be necessary by several respondents:

- (1) Define executive obsolescence as it applies to this organization.
- (2) Identify the factors contributing to obsolescence of the executives in this particular environment.
- (3) Develop a method of recognition--This implies some sort of measurement, perhaps by comparison with a standard:
 - (a) Establish the desired level of executive capability;
 - (b) Measure the present level either individually or by general audit;
 - (c) Compare actual with desired level.
- (4) Establish a program or alter the existing development program to focus it to provide the executive capabilities which are lacking.
- (5) 'Sell' the need for positive, effective action to upgrade the executive capability in the company to executives at all levels so that the program will have a maximum chance to succeed.

Conclusion. - The hypothesis is supported insofar as the companies investigated are concerned. Several well-developed programs and some less well-developed programs to prevent obsolescence were observed in use. However, not all of the firms had sufficient programs in the opinion of the responsible executives.

Programs Designed to Reassign, Relocate, or Terminate
Obsolete Executives are used by Business Firms

Support for this Hypothesis. -

- (1) The executives responding to this investigation recognized eight methods of attempting to salvage obsolete executives. Among those used by sixty percent or more of them were: Redirection, transfer or relocation, and redevelopment. Termination was selected as having been used by fifty-seven percent of these respondents as a final alternative.
- (2) Of the thirty actual cases of obsolescence provided and discussed with these respondents, twenty-one of them included one or more of these actions: Reassignment, relocation or termination.

Contradiction of the Hypothesis. - Without giving specific details, three of the respondents indicated having 'untouchables' in their companies. These men were described as requiring development or some other positive action. They were able to prevent such action because of their position within the firm or for other reasons.

Conclusion. - This hypothesis is supported insofar as the companies investigated are concerned. Some information was

obtained that some of these programs are selective and limited by factors beyond the control of the executive responsible for executive development in certain companies.

APPENDIX A

DESCRIPTION OF SAMPLING TECHNIQUES EMPLOYED

Sampling Technique Employed

Summary

A stratified sampling technique was used for the mailed questionnaire sample. Two strata were included, determined as follows: (1) a non-probability portion--100 respondents presented as the largest defense contractors in terms of contract dollar volume, (2) a probability portion--200 additional respondents randomly chosen from a listing of manufacturers. A judgment factor was present in selecting this group as it was necessary in some cases to decide whether the company qualified as defense-oriented on the basis of its product lines. For this reason and also because the response rate was relatively low (50% for this strata) true randomness is not claimed.

The interview sample of 27 firms was non-probability based because only those firms which indicated a willingness to be interviewed were included in the universe. This factor obviously introduced a bias probability as there was no practical way of determining how representative these certain firms were. Within this limitation a further narrowing and selection was necessary using the following parameters: (1) include as wide a

variety of industry as possible, (2) include at least two representatives of each type of industry, (3) in at least one case obtain interviews from two or more divisions of one firm, (4) keep over-all cost of travel and incidentals within a limited budget.

Detailed Description of Sampling

First contact was made with the respondent firms through a mailed survey form. A copy of this form is contained in Appendix C. In all 300 copies of this form were mailed to (1) the 100 largest Defense Contractors listed in Background Material on Economic Impact of Federal Procurement, 1965-89th Congress, 1st Session-Joint Committee Report (U. S. Government Printing Office, 1965), and (2) to 200 additional companies chosen randomly from Moody's Listing of Corporate Officers by selecting the page and the number of the listing on that page from a table of five (5) digit random numbers. The page chosen might be 313 and the listing number might be 26. This would be the 26th company counting down the left column and working toward the right side of the page. If the numbers chosen from the table did not correspond to the position of a company or if the company so designated did not engage in defense contracting or if it had already been chosen, an alternate selection was made until all the additional 200 companies were chosen.

The mailing list chosen in this manner was used to mail the survey form. The envelope was addressed to the president by name based on information obtained from Moody's. If the president's name was not provided, an officer bearing a personnel-oriented title was chosen as first alternate and a general officer as second alternate. No mailings were made just to the company address as it was felt that these are generally unproductive. The objective in addressing the president was to have the survey form conveyed by him to the responsible executive for personnel development. Since no listing of these men was available, it was felt that addressing the president by name would be more productive than addressing "Personnel Development Manager" or some such general title without using a name. It was felt also that in all cases where the form was conveyed by the president to an officer reporting to him, it would be accepted as an order that he complete it. In fact, many of the returned questionnaires were initialed and notated indicating that this had occurred.

In all, 100 responses were received from the 300 mailed for a 33 percent return. They are listed in alphabetical order in Appendix B.

The mail survey Form (described above) contained a request for permission to visit the company for a personal interview. In all, fifty-four (54) of the respondents who returned a completed

survey form granted this permission. A trip was planned by Travel Rite Tours, Inc. of Orlando, Florida, which included visits to 27 of these respondents as described above. They are listed in alphabetical order in Appendix B. The travel was scheduled as one continuous trip originating in Orlando, Florida, (the Author's residence at that time); to Houston, to Dallas, Texas; to Los Angeles, and San Francisco, California; to Minneapolis, Minnesota; to Cleveland, Ohio; to New York. Twenty-seven (27) respondents were included in this itinerary, but for various reasons, five (5) of them were not seen. It was not possible to make exact appointments because of the uncertainty of making all the necessary travel connections as the trip occurred during the airline strike. A letter had been sent (see Appendix C. for a copy) to each potential interviewee giving the itinerary and an approximate arrival time, but due to business requirements, some respondents were unavailable. However, the five (5) not seen personally were given, and completed the same questionnaire, which was used during the personal interviews with the twenty-two (22) respondents who were seen. (A copy of this form is contained in Appendix C.) The trip was planned so that travel occurred in the afternoon and evening, leaving the working day available for these interviews. Respondents interviewed were seen at various times during the day and were as generous with their time as their schedules permitted. As indicated above, a structured

questionnaire was employed to assure that the same questions would be asked of all the interviewees. Some interviews went beyond the basic questionnaire, and several respondents provided material relative to their company.

The respondents to the initial mail survey who were willing to be visited for interviews, but could not be visited were sent a less detailed questionnaire. (See Appendix C for a copy.) This questionnaire covered the same general material as the personal interview but was less detailed. Seventeen (17) of these were completed and returned by the companies listed in Appendix B in alphabetical order. The total sample was then reduced from forty-four (44) to forty (40), as stated in the title because visiting more than one division was considered as only one company visited. The information so obtained was combined for analysis.

Other Sources of Information

The respondents in many cases provided various company documents during the interviews for illustration of particular points under discussion. A variety of such material was carried back from the interviews and additional material was mailed to the author. Reference has been made to these items throughout the manuscript.

Library and periodical research was done and resulted in the material reference in the Bibliography. The topic of

obsolescence is of relatively recent interest in the literature. Most of the especially pertinent material appeared in periodical form.

Contact was made with Dr. Billy E. Goetz, Professor of Industrial Management at Massachusetts Institute of Technology, in the early stages of planning this project. He provided valuable advice on how to proceed and what areas to research. At a later point contact was made with Dr. M. Scott Myers, Manager of Management Research for the Texas Instruments Company, Dallas, Texas, who offered advice on several points. Both of these men have authored articles on executive obsolescence or related topics, which were used as references for this investigation. Other contacts were made with individuals in industry and education to research specific areas.

APPENDIX B

LISTING OF COMPANIES SUPPLYING DATA

Contents:

- A - Companies Responding to the Mail Survey
- B - Companies Whose Executives Were Interviewed
in Person
- C - Companies Responding to the Mail Questionnaire

Companies Responding to the Mail Survey

- | | |
|---|----------------------------|
| 1. AC Electronics Division | Milwaukee, Wisconsin |
| 2. A. O. Smith Corporation | Milwaukee, Wisconsin |
| 3. Abbott Laboratories | North Chicago, Illinois |
| 4. Acme Markets, Inc. | Philadelphia, Pennsylvania |
| 5. Aero-Flow Dynamics, Inc. | New York, New York |
| 6. Airerresearch Manufacturing
Company | Phoenix, Arizona |
| 7. American Ship Building
Company | Lorain, Ohio |
| 8. American Telephone and
Telegraph | New York, New York |
| 9. Ampco Metal Inc. | Milwaukee, Wisconsin |
| 10. Amtead Industries Inc. | Chicago, Illinois |
| 11. Atlantic Research Corporation | Alexandria, Virginia |
| 12. Atlas Chemical Industries, Inc. | Wilmington, Delaware |
| 13. B. F. Goodrich Company | Akron, Ohio |
| 14. Bell Aerospace Corporation | Buffalo, New York |
| 15. Bendix Radio Division
(Bendix Corp.) | Baltimore, Maryland |
| 16. Bethlehem Steel Corporation | New York, New York |
| 17. Bibb Manufacturing Company | Macon, Georgia |
| 18. Boeing Company | Seattle, Washington |
| 19. Caterpillar Tractor Company | Peoria, Illinois |
| 20. Chrysler, Corporation | Detroit, Michigan |

21. Collins Radio	Dallas, Texas
22. Continental Oil Company	New York, New York
23. Control Data Corporation	Minneapolis, Minnesota
24. Cubic Corporation	San Diego, California
25. Curtis Wright Corporation	Wood Ridge, New Jersey
26. Del Mar Engineering Laboratories	Los Angeles, California
27. DuPont (E. I.) de Nemours and Co.	Wilmington, Delaware
28. E. W. Bliss Company	Canton, Ohio
29. Esso Research and Engineer- ing Co.	Linden, New Jersey
30. F M C Corporation	San Jose, California
31. Feen Manufacturing Company	Newington, Connecticut
32. Fridan, Inc.	San Leandro, California
33. General Electric Company	Gainesville, Florida
34. General Electric Corporation	New York, New York
35. Glidden Company	Cleveland, Ohio
36. Grand Union	East Patterson, New Jersey
37. Great Atlantic and Pacific Tea Co., Inc.	New York, New York
38. Hercules Powder Company	Wilmington, Delaware
39. Miller Aircraft Company	Palo Alto, California
40. Honeywell, Inc.	Minneapolis, Minnesota
41. Houston Fearless Corporation	Los Angeles, California
42. Hughes Aircraft Company	Culver City, California

43. Humble Oil and Refining Company	Houston, Texas
44. Hydro-Aire	Burbank, California
45. International Electronic Research Corp.	Burbank, California
46. International Harvester Company	Chicago, Illinois
47. International Resistance Company	Philadelphia, Pennsylvania
48. International Telephone and Telegraph	New York, New York
49. Itek Corporation	Lexington, Massachusetts
50. Kaiser Industries Corporation	Oakland, California
51. Kierulff Electronics, Inc.	Los Angeles, California
52. Langley Corporation	San Diego, California
53. Lenkurt Electric Company, Inc.	San Carlos, California
54. Ling-Temco-Vought, Inc.	Dallas, Texas
55. Lockheed Aircraft Corporation	Burbank, California
56. Magnaflux Corporation	Chicago, Illinois
57. Magnavox Company	Fort Wayne, Indiana
58. Martin Company	Orlando, Florida
59. McDonnell Aircraft Corporation	St. Louis, Missouri
60. National Cash Register	Dayton, Ohio
61. North American Aviation, Inc.	Los Angeles, California
62. North American Philips Company	New York, New York
63. Northrop Corporation	Beverly Hills, California

64. Northrop Corporation Ventura Division	Hawthorne, California
65. Northrop-Norair Division	Hawthorne, California
66. Northrop-Nortronics Division	Palos Verdes, California
67. Occidental Corporation	Lake City, Florida
68. Pacific Airmotive Corporation	Burbank, California
69. Philco Corporation	Philadelphia, Pennsylvania
70. Progress Webster Electronics Corp.	Philadelphia, Pennsylvania
71. Quality Food Stores, Inc.	Minneapolis, Minnesota
72. Raytheon Company	Lexington, Massachusetts
73. Remington Arms Company	Bridgeport, Connecticut
74. Ryan Aeronautical Company	San Diego, California
75. Savannah and Atlanta Railway Co.	Savannah, Georgia
76. Scientific-Atlanta, Inc.	Atlanta, Georgia
77. Shell Oil Company	New York, New York
78. Signal Oil Company	Los Angeles, California
79. Sinclair Oil and Gas Company	Tulsa, Oklahoma
80. Socony Mobil Oil Company	New York, New York
81. Southern Nitrogen	Savannah, Georgia
82. Sperry Gyroscope Company	Great Neck, New York
83. Standard Oil Company	San Francisco, California
84. Standard Oil Company	Cleveland, Ohio
85. Texas Instruments, Inc.	Dallas, Texas

- | | |
|----------------------------------|-------------------------|
| 86. Thiokol Chemical Corporation | Bristol, Pennsylvania |
| 87. Thriftmart, Inc. | Los Angeles, California |
| 88. Union Carbide Corporation | New York, New York |
| 89. United Aircraft Corporation | Hartford, Connecticut |
| 90. Vitro Corp. of America | New York, New York |
| 91. Western Electric | New York, New York |

Nine (9) other companies which requested that they not be identified.

Companies Whose Executives Were Interviewed in Person

1. Aero-Flow Dynamics, Inc. New York, New York*
2. American Ship Building Company Lorain, Ohio*
3. Collins Radio Dallas, Texas
4. Continental Oil Company New York, New York
5. Control Data Corporation Minneapolis, Minnesota
6. Friden, Inc. San Leandro, California
7. Glidden Company Cleveland, Ohio
8. Honeywell, Inc. Minneapolis, Minnesota
9. Humble Oil and Refining Company Houston, Texas
10. ITT World Communications New York, New York
11. Lenkurt Electric Company, Inc. San Carlos, California
12. Ling-Tamco-Vought, Inc. Dallas, Texas
13. Lockheed Aircraft Corporation Burbank, California
14. Martin Company Orlando, Florida*
15. Mobil Oil Corporation New York, New York
16. North American Aviation El Segundo, California
17. Northrop Corporation Beverly Hills, California
18. Northrop Norair Hawthorne, California
19. Northrop Nortronics Anaheim, California*
20. Northrop Ventura Newbury Park, California
21. Pacific Airmotive Corporation Burbank, California
22. Shell Oil Company New York, New York

- | | |
|------------------------------|---------------------------|
| 23. Sperry Gyroscope Company | Great Neck, New York* |
| 24. Standard of California | San Francisco, California |
| 25. Standard Oil of Ohio | Cleveland, Ohio |
| 26. Texas Instrument | Dallas, Texas |
| 27. Western Electric | New York, New York |

*Actual personal contact was not made with these companies. They are listed here because the responding executive completed the same structured interview used in the personal contacts rather than the less detailed form used for the mail interview.

Companies Responding to the Mail Questionnaire*

- | | |
|---|----------------------------|
| 1. A. C. Electronics Division
(G.M.C.) | Milwaukee, Wisconsin |
| 2. A. O. Smith Company | Milwaukee, Wisconsin |
| 3. Atlantic Research Corporation | Alexandria, Virginia |
| 4. Boeing Company | Seattle, Washington |
| 5. Caterpillar Tractor Company | Peoria, Illinois |
| 6. Chrysler Corporation | Detroit, Michigan |
| 7. Cubic Corporation | San Diego, California |
| 8. Esso Research and Engineering
Company | Linden, New Jersey |
| 9. Hercules, Inc. | Wilmington, Delaware |
| 10. International Harvester Co. | Chicago, Illinois |
| 11. International Resistance
Company | Philadelphia, Pennsylvania |
| 12. Itek Corporation | Lexington, Massachusetts |
| 13. Magnavox Company | Fort Wayne, Indiana |
| 14. Philco Corporation | Philadelphia, Pennsylvania |
| 15. Raytheon Company | Lexington, Massachusetts |
| 16. Sinclair Oil and Gas Co. | Tulsa, Oklahoma |
| 17. Thiokol Chemical Corporation | Bristol, Pennsylvania |

* The interview form used for the mail interviews covered essentially the same factors discussed in the personal interviews but in less detail.

APPENDIX C

COPIES OF FORMS

- Initial Mail Survey Form (Green Card)
- Mail Interview Forms
- Personal Interview Forms

Dear Sir:

This is a pilot survey. It is part of a research project to examine management development programs in industry which are directed toward elimination of technologically caused managerial obsolescence. I am doing this research for my doctoral dissertation at the University of Florida.

Please take a few minutes to fill out and return the form so that my survey will be representative.

Any material you can send me relative to your company's management development program will be gratefully accepted.

Sincerely,

C O P Y

First Mailing - Front Page

(over)

1. Does your company have a management development program? Yes _____ No _____
(If yes to #1 answer 2 thru 8, if no to #1 skip to #9).
2. How many executives are involved in it? _____
(An approximation will do if number is not known exactly).
3. Is it conducted:
(check applicable choice) Continuously _____
At regular intervals _____
When a need arises _____
4. Does it involve:
(check applicable choice) Top management _____
Middle management _____
Both _____
5. Is your development program based on:
(check applicable choice(s)) On the job training _____ Consultants _____
Company courses _____ College courses _____
Assigned readings _____ Other (specify) _____
6. Does it include:
(check applicable choice(s)) Statistical techniques _____ Model construction _____
Other mathematical techniques _____ Cybernetics _____
Computer applications _____ Other (specify) _____
7. May I visit your company to discuss your program? Yes _____ No _____
8. (If yes to #7) Whom shall I contact for an appointment?
Mr. _____ Phone _____
(If you have no program answer #9 and 10)
9. Are you planning to install a management development program? Yes _____ No _____
When will it begin? (Year) _____
10. Additional Comments: (if desired) _____

The individual filling out this form is:

Mr. _____

Position _____

Company _____

Address _____

Would you like to examine the results
of this survey? Yes _____ No _____

C O P Y

First Mailing - Back

October, 1966

Dear Mr. _____

You have recently participated either personally or through a delegate alternate, in my Doctoral Research on the topic of "Executive Development to Combat Obsolescence." Data was obtained from one hundred (100) of the larger American companies in Aerospace, Electronics and Communications, and Petroleum and Chemicals. Four methods were employed: (1) a preliminary mail survey, (2) a mailed questionnaire, (3) personal interview, and (4) mail and telephone communications, in addition to the above. It will require several months to properly evaluate all the data. I believe this brief summary sent now will be of greater interest to most of my respondents than a more detailed report at a much later time. Many respondents indicated their development efforts were undergoing critical re-evaluation at this time.

SUMMARY

Several factors stand out after a preliminary examination of the data:

1. Statistics:

- (a) Sixty six (66) percent of the respondents had an active development program in operation. These ranged from specific plans involving three (3) to ten (10) key individuals to company-wide programs involving hundreds of executives at all levels. The average number of executives in development programs was 675, the median 175. I believe some of my respondents included technical personnel in their estimates which inflated these figures.
- (b) Ten (10) percent of the respondents are presently installing a new program or are substantially altering an existing program to combat various specific problems such as obsolescence or shortage of specific executive skills
- (c) The remaining twenty four (24) percent did not have and did not plan a program of executive development.

2. Executive Obsolescence defined as "An interruption in the development of executive capability at some point below its full potential because of lack of technological knowledge or ability, reduced physical stamina, or loss of motivation, or a combination of these factors" was recognized as a problem in their company by seventy four (74) percent of those answering this question.
3. Several respondents said they recognized at least two major aspects of Executive Obsolescence requiring different treatment:
 - (a) Skills Obsolescence - The executive's skills are intact but no longer in demand.
 - (b) Skills Application Obsolescence - The executive's ability to apply his skills is impaired.
4. Many companies encountering obsolescence in their executive ranks were willing to expend considerable effort and money on some type of corrective action, for example:

<u>Method Employed</u>	<u>Employed by % of Those Answering This Question</u>
Redirection	63%
Redevelopment (retraining)	75%
Provide Assistance To	60%
Transfer or Relocation	63%
Medical Rehabilitation	55%
Feathering (specially created position)	40%
Reduction of Authority	40%

5. On the other hand, fifty eight (58) percent of the respondents said they would recommend termination and several companies already have terminated obsolete executives. The major considerations seemed to be: (a) the executive's potential to accept redevelopment, and (b) the useful career he had remaining before mandatory retirement. Termination most commonly took the form of: (a) gradual release of individuals or (b) a reorganization in which several executives were released simultaneously. Many respondents spoke of generous financial arrangements to cushion the economic shock.

6. Almost all respondents expressed some degree of dissatisfaction with the present development program and indicated various changes being planned. Measurement of their program's success was based mainly on: (a) degree of voluntary executive participation, (b) general level of executive performance, (c) availability of executives prepared to assume increased responsibility.

Much of the information obtained does not lend itself to summarization: For example, several respondents indicated their companies have a group of high level executives who were "over promoted" during some period of very rapid expansion such as World War II. Some of these individuals now are holding responsible positions but with decreasing capability. They are able to head-off all efforts to either improve them or replace them in many cases. On the other hand, several respondents indicated forthright, decisive top management action to purge and upgrade their executive ranks which has had extremely beneficial effects on the company's operations and profits.

If there are any specific points you desire to have amplified and I can do so without referring to any particular company, I will be happy to respond to your request.

I was given excellent cooperation in this research and wish to take this opportunity to thank you for your cooperation.

Frederick C. Haas
Assoc. Prof. Business Adm.
Armstrong State College
Savannah, Georgia

FCH/db

C O P Y

FORMS USED FOR MAIL INTERVIEW

- Contact Letter
- Data Gathering Form
- Follow-up Letter

109 D Matherly Hall
College of Business
Administration
University of Florida
Gainesville, Florida

Thank you for your response to my survey and your invitation to see you personally for further discussion. The response was heartening and indicated that many executives feel a sincere interest in the topic of executive development to avoid obsolescence.

Unfortunately, I will not be able to see you in person because of funding limitations which have forced me to forego many desirable interviews. You probably travel for your company and are aware of the expense involved. I am enclosing a list of the questions I had hoped to discuss with you in the hope that you will answer them and mail it back. Please feel free to avoid any questions or to add comments and topics as desired.

I will be pleased to send you a report on the results of my survey in a few weeks after I have examined all the data.

Sincerely,

Frederick C. Haas

FCH:sic

Enclosure

C O P Y

Room 109 D Matherly Hall
College of Business
Administration
University of Florida

A reduction has been made in the time and funds available to me for traveling to interview business executives and I am forced to forego several desirable interviews.

Although I will not be able to see you in person as planned, I am enclosing another copy of the questions I had planned to discuss in the hope that you will jot down your thoughts on them and mail it back. Feel free to avoid any questions you don't care to comment on and especially to add any other ideas or thoughts you may have on the topic of Executive Obsolescence.

I will be pleased to send you a summary of my findings in a few weeks when I have analyzed the data.

Sincerely,

Frederick C. Haas

FCH:cgt

Enclosure

C O P Y

DISSERTATION INTERVIEW

Interview # _____

Data

Company _____

Address _____

Person Interviewed _____

His Position _____

Questions

1. How long have you held your present position?
2. How many executives are within your responsibility for development?
3. Do you feel that executive development is more important now than in the past?

Why?

4. Have you made any recent changes in the content of your development program?

In the emphasis?

5. Do you believe the company's executives are becoming more responsive to development efforts?

6. Do you have a skills and/or experience index file?

What is it used for?

7. Do you recognize Executive Obsolescence as a problem in this company?
8. Which of these factors do you believe contribute most to the problem here?
- ☐ executive's age - too old to learn
 - ☐ prosperity - afraid to take any risks
 - ☐ present success - reluctant to change his methods
 - ☐ complacency - satisfaction with present conditions
 - ☐ loss of confidence
 - ☐ organization pressures and complexities
 - ☐ lack of direction
 - ☐ basic lack of ability
9. How do you attempt to identify obsolescence?
- ☐ review of formal written goals
 - ☐ look for evidences of failure to use new methods
 - ☐ compare function or department with similar departments in the company or in the competing companies
 - ☐ other
10. How do you attempt to correct obsolescence?
- ☐ redirections
 - ☐ retraining
 - ☐ transfer or relocation
 - ☐ featherbedding (the phony position)

_____ termination

_____ other

11. What steps are you taking to avoid obsolescence?

_____ continuing education

_____ avoid over-specialization

_____ executive rotation

_____ periodic review and development sessions (ask for copy of their executive appraisal form)

_____ encouraging personal goals

_____ setting up a team operation which deemphasizes functionalism

_____ other

12. Have you recently installed or extended the use of computer services in executive development?

13. Has your company recently diversified?

14. Do you have a policy of promotion from within?

15. Do you recruit management trainees at the colleges and universities?

16. Does this company have a policy to pay for the cost of college courses taken by its executives?

17. Does it pay:

_____ all?

_____ part?

18. Do you discuss executive obsolescence formally or informally with men in your position in other companies?

19. Additional comments by interviewee:

October 1966

You have recently permitted me to interview you to gather data for my Doctoral Dissertation on the topic of "Executive Development to Combat Obsolescence." Data was obtained from one hundred (100) of the larger American companies in Aerospace, Electronics and Communications, and Petroleum and Chemicals. Four methods were employed: (1) a preliminary mail survey, (2) a mailed questionnaire, (3) personal interview, and (4) mail and telephone communication. Since it will take several months to evaluate all the data, I am sending you this summary now instead of a more detailed report at a much later time. Many of my respondents indicated their development programs were undergoing critical re-evaluation at this time.

1. Extent of Executive Development Activity:

- (a) Sixty six (66) percent of the respondents had an active development program in operation. These ranged from specific plans involving three (3) to ten (10) key individuals to company-wide programs involving hundreds of executives at all levels. The average number of executives in development programs was 675, the median 175. I believe some of my respondents included technical personnel in their estimates which inflated these figures.
- (b) Ten (10) percent of the respondents are presently installing a new program or are substantially altering an existing program to combat various specific problems such as obsolescence or shortages of specific executive skills.
- (c) The remaining twenty four (24) percent did not have and did not plan a program of executive development.

2. Executive Obsolescence defined as "An interruption in the development of executive capability at some point below its full potential because of lack of technological knowledge or ability, reduced physical stamina, or loss of motivation, or a combination of these factors" was recognized as a problem in

their company by seventy four (74) percent of those answering this question.

3. Several respondents said they recognized at least two major aspects of Executive Obsolescence requiring different treatment:
 - (a) Skills Obsolescence - The executive's skills are intact but no longer in demand.
 - (b) Skills Application Obsolescence - The executive's ability to apply his skills is impaired.
4. Sixty (60) percent of the firms interviewed had a skills or experience index or file which was being used primarily as:
 - (a) a source of information on candidates for open positions,
 - (b) a survey of available skills for various reports, and
 - (c) a source of information for new business bids and proposals. Contents of these files included the following:
 - Personal Records - 100%
 - Psychological Test Data - 25%
 - Physical Examination Data - 25%
 - Performance Appraisal Reports - 56%(Many firms had these records but they did not include them in their skills or experience indices.)
5. The following factors were chosen by 50% or more of those interviewed as contributing most to the obsolescence problem in their company:
 - Complacency - Satisfaction with present conditions
 - Organization Pressures and Complexities
 - Basic lack of AbilityThe least chosen factor was: Community and Social Responsibility (taking executive's time) which was cited by only ten (10) percent.
6. The following factors were used by 50% or more of these interviewed as a method of identifying obsolescence:
 - Look for evidence of failure to use new methods
 - Compare present with past performance based on appraisal
 - Use a profit approach in executive evaluation
7. As methods of attempts to correct obsolescence these were used by 50% or more of those interviewed:

- Reduction of authority by work reassignment to others
- Redevelopment
- Transfer or relocation
- Termination

Least used method was: Providing capable "assistant to", to augment the executive which was used by thirty (30) percent of those interviewed.

8. Steps to avoid obsolescence being used by 50% or more of those interviewed were:
- Continuing education (both formal and informal)
 - Executive Rotation
 - Promotion
 - Demotion
 - Periodic review and development sessions
 - Company sponsored medical checkup and correction program

Least used method: Avoiding overspecialization. Used by twenty (20) percent of those interviewed.

9. Many companies encountering obsolescence in their executive ranks were willing to expend considerable effort and money on some type of corrective action, as indicated in #7 above. On the other hand, fifty eight (58) percent of the respondents said they would recommend termination and several companies already have terminated obsolete executives. The major considerations seemed to be: (a) the executive's potential to accept redevelopment, and (b) the useful career he had remaining before mandatory retirement. Termination most commonly took the form of: (a) gradual release of individuals or (b) a reorganization in which several executives were released simultaneously. Many respondents spoke of generous financial arrangements to cushion the economic shock.
10. Almost all respondents expressed some degree of dissatisfaction with the present development program and indicated various changes being planned. Measurement of their program's success was based mainly on: (a) degree of voluntary executive participation, (b) general level of executive performance, (c) availability of executives prepared to assume increased responsibility.

Much of the information obtained did not lend itself to summarization. For example, several respondents indicated their companies have a group of high level executives who were "over promoted" during some period of very rapid expansion such as World War II. Some of these individuals now are holding responsible positions but with decreasing capability. They are able to head-off all efforts to either improve them or replace them in many cases. On the other hand, several respondents indicated forthright, decisive top management action to purge and upgrade their executive ranks which has had extremely beneficial effects on the company's operations and profits.

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I was given excellent assistance in this research and wish to take this opportunity to thank you for your cooperation.

Frederick C. Haas
Assoc. Prof. Business Adm.
Armstrong State College
Savannah, Georgia

FCH/lr

C O P Y

FORMS USED FOR PERSONAL INTERVIEWS

- Contact Letter
- Structured Interview Form
- Follow-up Letter

Room 109 D, Matherly Hall
College of Business
Administration
University of Florida
Gainesville, Florida 32603
July 7, 1966

Thank you for your response to my recent survey. Your interest in the topic - Executive Development to Prevent Obsolescence and your willingness to discuss it with me are much appreciated. The enclosed list will acquaint you with the questions which are of interest to me.

I am planning to spend the final three weeks in August visiting various parts of the country to interview executives like you who have invited me to discuss this topic with them. I will proceed as follows: South West, West Coast, North Central, North East, and South East. I regret that I can't be precise on when I will be in your city but there are too many variables involved. May I suggest that you alert an alternate person in your office for me to talk with in the event that I do not find you in when I call there.

Sincerely,

Frederick C. Haas

FCH:slc

C O P Y

INTRODUCTION TO DISSERTATION INTERVIEW

This interview is designed to explore your efforts to recognize and avoid or combat Executive Obsolescence. The Interviewer has had both industrial and academic experience and will be conservative of your time. The information obtained will be used for Doctoral Dissertation purposes and possibly other publications. No person or company will be identified without permission.

EXECUTIVE OBSOLESCENCE is defined here as an interruption in the development of executive capability at some point below its full potential because of lack of technological knowledge or ability, reduced physical stamina, or loss of motivation, or some combination of these factors. It may result in a performance plateau or in a steadily decreasing performance capability which the affected individual may or may not recognize. It may appear in many forms, such as:

- Not capable of performing present job
- Capable of present job routine but not creative functions such as planning
- Not capable of present job routine but can do creative functions
- Not capable of adjusting to a lateral move (not rotatable)

- Not capable of assuming greater responsibility (not promotable)
- Not able to mesh with the organization due to technological, physical, or emotional factors
- Other forms

One possible approach to assessing the degree of obsolescence might be the amount of time and effort expended by an executive in performing a particular task as compared to his peers.

You may retain a copy of this form if desired. Additional copies will be provided if you would like to have other executives in your company fill them out.

Frederick C. Haas
PhD. Candidate
College of Business
Administration
University of Florida
Gainesville, Florida

C O P Y

DISSERTATION INTERVIEW

Interview #P-_____

Data

Company_____

Address_____

Person Interviewed_____

His Position_____

Questions

1. How long have you held your present position?
2. How many executives are within your responsibility for development? (Get definition of "executive" and types of positions included in this category in this company) (How many reporting levels in this company).
3. (a) Are you satisfied with the results of your executive development program?

(b) How do you measure the results?

(c) Does it have any specific provisions to combat obsolescence?
4. How are the company's executives responding to development efforts?

5. Assuming development will make them more attractive to other companies, what concurrent changes have you made in personnel policies to help you retain the executives who have undergone development?

6. (a) Do you have a skills and/or experience index or file?

(b) What is it used for?

(c) Does it include: ☐ Personal Records
☐ Psychological Test Data
☐ Physical Examination Reports
☐ Performance Appraisal Reports

7. Do you recognize Executive Obsolescence as a problem in this company? (An interruption in the development of executive capability at some point below its full potential because of lack of technological knowledge or ability reduced physical stamina, or loss of motivation, or a combination of these factors).

8. Which of these factors do you believe contribute most to the problem here?

- (a) ☐ promoted before capable of handling new position
- (b) ☐ executive's age - too old to learn
- (c) ☐ prosperity - afraid to take any risks
- (d) ☐ present success - reluctant to change his methods
- (e) ☐ complacency - satisfaction with present conditions
- (f) ☐ loss of confidence
- (g) ☐ lack of curiosity, ☐ loss of curiosity
- (h) ☐ organization pressures and complexities
- (i) ☐ community and social responsibilities
- (j) ☐ lack of direction
- (k) ☐ unwillingness to place corporate goals above local goals
- (l) ☐ basic lack of ability
- (m) ☐ executive's health - lacks physical stamina
- (n) ☐ other

9. How do you attempt to identify obsolescence?
- (a) ☐ use a profit approach in executive evaluation
 - (b) ☐ review of formal written goals
 - (c) ☐ look for evidence of failure to use new methods
 - (d) ☐ compare function or department with similar departments in the company or in the competing companies
 - (e) ☐ compare present with past performance based on appraisal
 - (f) ☐ other
10. How do you attempt to correct obsolescence?
- (a) ☐ redirection
 - (b) ☐ redevelopment
 - (c) ☐ providing a capable "assistant to" to augment the executive
 - (d) ☐ transfer or relocation
 - (e) ☐ medical rehabilitation
 - (f) ☐ featherbedding (the specially created position)
 - (g) ☐ reduction of authority by work reassignment to others
 - (h) ☐ termination
 - (i) ☐ other
11. What steps are you taking to avoid obsolescence?
- (a) ☐ continuing education (formal or informal)
 - (b) ☐ avoiding over-specialization
 - (c) ☐ executive rotation, promotion, demotion
 - (d) ☐ periodic review and development sessions (ask for copy of their executive appraisal form)
 - (e) ☐ encouraging personal goals
 - (f) ☐ setting up a team operation which deemphasizes functionalism
 - (g) ☐ company sponsored medical check-up and correction program
 - (h) ☐ other

12. Without identifying the individual involved can you give me an example of the successful rehabilitation of an obsolete executive in this company describing the causes of his problem and the methods used to rehabilitation?
13. Can you do the same for an unsuccessful case?
14. It has been said that many development programs concentrate on men with high potential. Do you have any program which concentrates on the average on low potential executives in an effort to increase his usefulness?
15. Does your superior share your opinions on Executive Obsolescence?
16. Does this company have a policy of providing financial assistance for college courses taken by its executives?
17. Does this company have an Executive Audit?
18. Do you discuss executive obsolescence formally or informally with men in your position in other companies?
19. Have you written anything on the topic of Executive Obsolescence which I may read?
20. Have you read any articles or books on this topic which you would recommend that I read?

Additional Comments by Interviewer:

Note: Parts of questions 8, 9, 10, and 11 were taken from:
"How To Keep From Going Out of Style," Stanley Schuler,
Nations Business, Feb., 1965.

October 1966

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Personal Records - 100%

Psychological Test Data - 25%

Physical Examination Data - 25%

Performance Appraisal Reports - 56%

(Many firms had these records but they did not include them in their skills or experience indices.)

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 - Organization Pressures and Complexities
 - Basic lack of ability

The least chosen factor was: Community and Social Responsibility (taking executive's time) which was cited by only ten (10) percent.

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Savannah, Georgia

FCH/lf

C O P Y

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Northrop Corporation. Interviews with Robert Weiss, Richard W. Geer, Hal Jansen and Rex B. Fairless.

Martin Orlando Division of Martin Marretta Corporation. Interview and telephone contact with E. J. Fallon, Manager Education and Development Department.

The explanation of the SCORE program taken from material provided by Mr. Charles H. Moody of the Jacksonville, Florida Small Business Administration Office.

BIOGRAPHICAL SKETCH

Frederick Carl Haas was born August 19, 1922 at Buffalo, New York. He was graduated from Jamaica High School. He worked for the Republic Aircraft Corporation prior to World War II and served in the Air Force for 3 1/2 years during the war. He was a member of the technical staff of the Brookhaven National Laboratory of the Atomic Energy Commission from 1949 to 1956. In October 1956 he received the degree of Bachelor of Business Administration with a major in Management from Hofstra College. From December 1956 until 1961 he worked for the Sperry Gyroscope Company as a senior engineering administrator. He received the degree of Master of Business Administration with a major in Management from Hofstra College in June, 1958.

In 1961 he moved to Florida to work for the Martin Company as business administrator, management engineer, and business management administrator. In February, 1965 he received the degree of Master of Arts with a major in Social Science from Hofstra University. In May, 1965 he enrolled in the Graduate School of the University of Florida. While there he served as an instructor in the College of Business Administration and in the Division of Continuing Education. At present he is associate professor of business administration at

Armstrong State College, Savannah, Georgia, a part of the Georgia State University System.

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This dissertation was prepared under the direction of the chairman of the candidate's supervisory committee and has been approved by all members of that committee. It was submitted to the Dean of the College of Business Administration and to the Graduate Council, and was approved as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

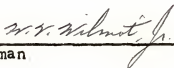
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